



## **The suppression of Bo Xilai and the capitalist road**

# **Can socialism be revived in CHINA?**

**BY FRED GOLDSTEIN**

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# Marxism and the social character of China

The issue of China is one of the most important questions of the 21st century for the working class and the oppressed peoples, as well as the hostile imperialist ruling classes of the world.

The progressive and revolutionary movements, especially in the U.S., have a great stake in arriving at a correct policy toward China.

First of all, China is a formerly oppressed country that achieved liberation from British, French, German, U.S. and Japanese imperialism in 1949 by making one of the greatest revolutions in history. At that time, one quarter of the human race was torn from the clutches of imperialism. As a formerly oppressed country struggling for national development, it must be defended against all varieties of imperialist military, economic and political aggression, regardless of what one thinks about its social character.

China today is a new, complex and contradictory phenomenon in history. It has fundamental socialist structures alongside capitalist development and imperialist penetration. The leadership calls it “market socialism” or socialism with Chinese characteristics.

Socialism is inscribed firmly as China's foundation in its constitution. The international capitalist class is profoundly hostile to China and never ceases to try to undermine its fundamental socialist structures.

Yet workers in Chinese private industry are subjected to capitalist exploitation and the workers in the state industries have lost much of the economic support that once attached to their workplaces. Horrendous industrial accidents take place and environmental problems are severe.

## Dual character of China's economic foundation

Only Marxism enables us to approach an analysis of China.

Marxism has shown that the character of any society is determined by its economic

foundation and that the superstructure of society, its politics, ideology, etc., are determined by the economic foundation.

How can such an analysis be applied to China and how can it help to clarify how to view China?

To begin with, the economic foundation of China is not homogeneous. It is partly socialist and partly capitalist. The question for us and for the world working class is: Which is dominant? — the socialist foundation, or the capitalist enterprises seeking private accumulation of profit through the exploitation of the working class?

Similarly, the superstructure is not homogeneous. On the one hand, there are the Communist Party, the People's Liberation Army and the ideological doctrine that declares socialism to be the foundation of China. On the other hand, there is the relentless promotion of opening up to imperialism and capitalist market reforms. And, above all, there is a struggle over political reform, meaning the right for the bourgeoisie and the petty bourgeoisie to organize politically, either inside the party, outside the party or both. There is a steady drumbeat for “political reform” from the imperialists and their class allies inside China.

## Economic crisis of 2008-2009 was a critical test

How can we assess this situation? We should start by empirical examination of China, on the one hand, and the rest of the capitalist world on the other.

A critical test came when the Chinese leadership was forced to deal with the effects of the worst capitalist crisis since World War II.

When the crisis hit in 2008 to 2009, many tens of millions of workers in the U.S., Europe, Japan and across the capitalist world were plunged into unemployment.

China, which had dangerously allowed itself to become heavily dependent on exports to the capitalist West, suddenly was

faced with the shutdown of thousands of factories, primarily in the eastern coastal provinces and the special economic zones.

More than 20 million Chinese workers lost their jobs in a very short time.

So what did the Chinese government do?

We described what happened in a series of articles in Workers World entitled “The Suppression of Bo Xilai and the Capitalist Road — Can Socialism Be Revived in China?” The article, published on March 27, 2012, explained that plans drafted as far back as 2003, to go into effect in future years, were pushed forward and implemented.

We then quoted from Nicholas Lardy, a bourgeois China expert from the prestigious Peterson Institute for International Economics, who described how consumption in China actually grew during the crisis of 2008-09, wages went up, and the government created enough jobs to compensate for the layoffs caused by the global crisis.

Said Lardy: “In a year in which GDP expansion [in China] was the slowest in almost a decade, how could consumption growth in 2009 have been so strong in relative terms? How could this happen at a time when employment in export-oriented industries was collapsing, with a survey conducted by the Ministry of Agriculture reporting the loss of 20 million jobs in export manufacturing centers along the southeast coast, notably in Guangdong Province? The relatively strong growth of consumption in 2009 is explained by several factors. First, the boom in investment, particularly in construction activities, appears to have generated additional employment sufficient to offset a very large portion of the job losses in the export sector. For the year as a whole the Chinese economy created 11.02 million jobs in urban areas, very nearly matching the 11.13 million urban jobs created in 2008.

“Second, while the growth of employment slowed slightly, wages continued to rise. In nominal terms wages in the formal sector rose 12 percent, a few percentage

points below the average of the previous five years (National Bureau of Statistics of China 2010f, 131). In real terms the increase was almost 13 percent. Third, the government continued its programs of increasing payments to those drawing pensions and raising transfer payments to China's lowest-income residents. Monthly pension payments for enterprise retirees increased by RMB120, or 10 percent, in January 2009, substantially more than the 5.9 percent increase in consumer prices in 2008. This raised the total payments to retirees by about RMB75 billion. The Ministry of Civil Affairs raised transfer payments to about 70 million of China's lowest-income citizens by a third, for an increase of RMB20 billion in 2009 (Ministry of Civil Affairs 2010)."

He further explained that the Ministry of Railroads introduced eight specific plans, to be completed in 2020, to be implemented in the crisis. The World Bank called it "perhaps the biggest single planned program of passenger rail investment there has ever been in one country." In addition, ultrahigh-voltage grid projects were undertaken, among other advances.

The full article by Lardy can be found in "Sustaining China's Economic Growth after the Global Financial Crisis," Kindle Locations 664-666, Peterson Institute for International Economics.

### **Socialist structures reversed collapse**

So income went up, consumption went up and unemployment was overcome in China — all while the capitalist world was still mired in mass unemployment, austerity, recession, stagnation, slow growth and increasing poverty.

The reversal of the effects of the crisis in China is the direct result of national planning, state-owned enterprises, state-owned banking and the policy decisions of the Chinese Communist Party.

There was a crisis in China, and it was caused by the world capitalist crisis. The question was which principle would prevail in the face of mass unemployment — the rational, humane principle of planning or the capitalist market. In China the planning principle, the conscious element, took

precedence over the anarchy of production brought about by the laws of the market and the law of labor value.

But the institutions based on the remaining structures of Chinese socialism, which saved the masses from economic disaster, are the very institutions that the World Bank, the International Monetary Fund, Wall Street and London want to reduce and eventually destroy. They are the state-owned enterprises, government planning and the control by the Chinese Communist Party.

One might say that the Chinese leadership did this to avoid unrest. Surely the capitalists in Europe and the U.S. also want to avoid unrest. But that did not cause them to put tens of millions of workers back to work, raise pensions, raise stipends and social welfare payments. It only caused them to institute austerity to secure the profits of the bankers.

Coming back to Marxist analysis, it is clear from the way the Chinese leadership handled this crisis that the socialist side of the economic foundation is still dominant in China. And the same can be said for the political superstructure.

The enemies of socialism claim that capitalism is responsible for the great successes in China.

But that is a falsehood. China has succeeded in its economic development because the socialist sector has broadly contained domestic capitalism and imperialist investment within the framework of the national economic goals of the leadership.

Without that, China would look like India — which also has planning but is a thoroughly capitalist country.

In India, poverty is so deep that people live on garbage dumps, wash their clothes in polluted water, and the urban slums in Kolkata and Mumbai rival rural poverty. The masses of India are desperately poor — living on \$1 to \$2 a day — even as the glittering high-tech industry develops alongside the abysmal economic conditions faced by hundreds of millions of Indians.

There is no comparison with China. But if the imperialists have their way, if they can destroy the socialist foundation and the

Communist Party, they will turn China into another India. That is what is at stake in the struggle to stop the counterrevolution in China.

### **'Market socialism' a false and dangerous concept**

This analysis should not be understood in any way as support for the doctrine of "market socialism." In our view the anarchy of the capitalist market is antagonistic to the planning of a socialist society and socialist construction. Capitalist private property is antagonistic to socialist property and production for private accumulation is antagonistic to production for social use and human need.

There are historical circumstances of extreme underdevelopment which compel a socialist government to employ both private and state capitalist methods to promote development of the productive forces and the creation of the working class from the rural population.

It is one thing, however, to use these methods as a temporary expedient, to make a retreat from socialism in order to make socialism triumphant in the struggle against capitalist methods. That was Lenin's idea behind the New Economic Policy. It began in 1921 in the USSR, during the direst times after the civil war left the country in ruins and the working class that survived was going back to the country to get food.

But Lenin always regarded this as a retreat and a crucial struggle. The question, as Lenin put it, was "Who will win?"

China long ago developed economically after the capitalist reforms instituted by Deng Xiaoping. But what should have been a temporary retreat has become an enshrined policy of treating capitalism as a partner with socialism. Private capital grows automatically and with it the economic strength and political influence of the capitalist class, its petty bourgeois hangers-on, as well as the petty bourgeois intelligentsia. This carries great long-term dangers for China.

The socialist component of the economic foundation is dominant at the present. But capitalism is continuing to erode that

foundation and do damage to the workers. Furthermore, the new leadership of Xi Jinping and Li Kequang have sent signals that they want to move to the right in the economy. Expanding the opportunities for imperialist investment and moving more and more in the direction of bourgeois economic reforms is playing with fire.

#### **Revive spirit of Mao, workers' power**

Bo Xilai, the former head of the party for Chongqing Province, is now languishing in

detention. He has been held for over a year because he sought to revive the cultural and egalitarian spirit of Mao Zedong and because he had a program to retard the march down the capitalist road. (See articles from *Workers World*.)

Bo represented a left resistance to the current policies at the level of top leadership. His defeat has paved the way for a further turn to the right.

What is really needed is a sharp turn to the left. The workers must reclaim the so-

cialist rights first established by the Chinese revolution and deepened during the period of Mao. This is the only thing that can revive and secure Chinese socialism in the long run.

But in the meantime, there must be a firm defense of China against every scheme by imperialism and by the domestic capitalist class in China to undermine the socialist foundation that still exists there.

*Based on a talk by Fred Goldstein at the Left Forum in New York City on June 9, 2013.*



# China: Coming to a Crossroad

This introduction is being written on the day the 18th National Congress of the Communist Party of China is to meet and ratify the selection of a new leadership. There is a great deal of speculation about who will be chosen for the new Standing Committee of the Politburo, which is the de facto political and economic leadership of China.

The speculation swirls around what the political, but especially the economic, leanings of the new leadership will be. On the one hand there are strongly pro-capitalist reform candidates. On the other hand there are those who want to hold on to the state-owned sectors and not open the gates wide to private capital. And, of course, there are those thought to be in the middle. This is the context in which the suppression of Bo Xilai, the leader of a left current within the leadership has taken place.

The outcome of the issue of leadership has significant short-term importance for developments in China. We will have to analyze the leadership changes and their implications once the rumors subside and the process of selection is over and made public.

But the selection of the new leadership, regardless of its composition can, at best, either accelerate or retard the inevitable direction that China is headed in – that is, toward a crisis of the system, which must either make a further lurch toward capitalism or turn back onto the socialist road.

It has been three decades since the defeat of Mao along with the left within the party leadership and the rise of Deng Xiaoping. During that time the door has been opened wider and wider to capitalist development and imperialist investment inside the framework of the great Chinese socialist revolution, which came to power in 1949 after 20 years of anti-imperialist struggle and civil war.

The Chinese leadership rationalized these measures as temporary steps taken in order to overcome underdevelopment. But it has become clear to all that capitalism has

grown like a cancer inside the socialist edifice of China and has eaten away at much of its foundation. In particular it has politically and economically disenfranchised the workers and the poor peasants for whose sake the revolution was made in the first place, and who carried out the revolution at great sacrifice under the leadership of the Communist Party of China and the founder of the People's Republic, Mao Zedong.

Capital grows automatically and chaotically by the unending process of accumulation of capital derived from exploiting the working class. Socialism must be planned and grows by society-wide coordination of resources. The growth of capital in China has dangerously progressed. It is pressuring down on state ownership and state planning in a significant way. At the same time the Chinese bourgeoisie is grasping for more and more economic breathing room and political representation.

Having let the capitalist genie out of the bottle, the Chinese leadership and the Chinese workers are now faced with the ultimate consequences. The world capitalist crisis and growing contradictions of capitalism are subjecting China more and more to the influence of the laws of capitalist development – an influence that is growing side by side and in competition with the law of planning.

Not only is domestic capital growing, but the state-owned enterprises have been forced to operate on a profit-making basis and to function in a market environment. Thus the entire system – both its socialist side, which is at the core of executing the five-year plans and dealing with crises, as well as the private capitalists, especially the export industry – is now feeling the effects of the global capitalist downturn.

The Chinese economy has grown at a double-digit rate for most of the past two decades. This was based on expansion in the world economy and imperialist investment – as well as the strong performance of the state-owned enterprises, particularly

in the development of basic industries and the expansion of vital infrastructure.

But the Chinese leaders as well as the imperialists – the World Bank, the IMF, Wall Street, London, Paris and Berlin – are desperately afraid of a developing slowdown in the growth of the Chinese economy. They are beating the drums for further capitalist market reforms.

To be sure, the imperialists are worried about the declining Chinese market for sales and investment, which would aggravate the capitalist economic crisis in the U.S., Europe and Japan. They hope that giving a strong impulse to capitalist development in China will lift the economy back up. But at the same time they fear a growing mass rebellion against capitalism. Their profit needs are pushing them to destabilize China and endanger capitalism itself.

The Chinese leadership also fear a social upheaval among the workers and peasants. The general laws of capitalism leading to the crisis of overproduction will make themselves felt more and more as China stays enmeshed in the crisis-ridden world capitalist economy, to the extent that it relies on the further development of domestic capitalism to pull it out of the slowdown.

Once the capitalist side of the Chinese economy and the market relations that pervade the society prove to be bankrupt, leading to unemployment and mass suffering of the workers, the choice will be clear. Unlike the workers in the USSR, who were completely blind-sided by the capitalist counterrevolution and had no idea of what was really happening or what was coming, the Chinese workers and peasants have already directly experienced the hardships of the market side of the so-called “socialist market economy.” This has made them in an increasingly combative mood.

This can open the door to the left and to the working class to push back in the direction of the socialist side – and put the revolution back on track.

*Fred Goldstein, Nov. 8, 2012*



# The ouster of Bo

## A critical moment in China

It is now world news that Bo Xilai, a high-ranking member of the 25-member Politburo of the Chinese Communist Party, has been removed from his key post as Party Secretary of the important Chongqing branch of the CCP.

This move comes as the CCP is preparing to choose a new leadership this fall. Bo had been widely regarded as a clear candidate for the nine-member standing committee of the Politburo. That is now out. This is the first open breach in the Chinese CCP leadership in two decades.

Bo was known for trying to revive the culture of Mao Zedong through many public programs. He emphasized state intervention in the economy and advocated planning for massive low-income housing projects for migrant workers and others, as well as fighting to reduce inequality in general.

Bo has also been known for a fierce anti-corruption campaign in which the masses were encouraged to point out corrupt officials and gangsters. Several thousand people were arrested, among them business people, and many were sent to jail. The highest police official in Chongqing was executed during the anti-corruption campaign.

Bo was removed after an incident in which the subsequent police chief of Chongqing, Wang Lijun, who worked with Bo in a widely celebrated anti-corruption campaign, fled Chongqing on Feb. 6 to the U.S. Consulate in the nearby city of Chengdu and asked for political asylum.

According to Chinese government and party sources, Wang claimed to have documents incriminating Bo. Wang was taken from the consulate, and is now being held in Beijing.

There has been much speculation about Bo and Wang and what happened. Much has been alleged about Bo's flamboyant personal style, his ambition, a factional struggle within the leadership for position and so on.

Perhaps all these factors played some role in his ouster.

But one thing is clear. The imperialists have all taken a position against Bo, and are overjoyed to see his downfall.

To be sure, there is no evidence that Bo was trying to abandon the reliance on capitalism in China's development that followed the death of Mao. On the contrary, his outlook is fully within the general framework of using capitalism and foreign investment to grow the economy in Chongqing. But within that framework, he emphasized the so-called "third hand," the need for the state to play a significant role in the economy, to ensure the well-being of the masses and to reduce inequality as a matter of priority.

### Effect of global capitalist crisis

It is important to put this struggle in the broader context of the global capitalist crisis and its effect on the Chinese economy and on the political and factional struggle inside China.

The economic crisis in the capitalist world has undermined in a very fundamental way the argument that China should bank its fate and future on capitalist development and the capitalist world market as a foundational strategy.

The collapse in 2007-2009 of the world capitalist financial system and the global market, the ensuing mass unemployment, the wild speculation, the overproduction, the economic dislocation, the flood of bankruptcies, the gyrations of the stock markets and the continuing threats on the horizon must haunt all of China's leaders and give ammunition to all those who oppose the further unleashing of capitalism in China.

The imperialists and the more pro-capitalist forces in the CCP and the state know this. So they have rushed to fortify their position in the face of the monumental evidence of the failure of capitalism and its dangerous effects in China during 2008 and 2009.

They made their moves just as China's legislative body was preparing to consider and approve various plans and when the subject of future leadership was under private discussion.

It is significant that the World Bank presented a 448-page document just in time for the 18th National People's Congress last month, entitled "China 2030." What makes the public presentation of this document so ominous is that it was co-authored by the Development Research Center of the State Council, the top executive body in China. Liu He, who worked on the document and who meets regularly with U.S. officials, is an adviser to the standing committee of the Politburo who has argued publicly that foreign pressure should be used to push capitalist reforms in China.

To underscore the collaborative nature of the document, the subtitle is "Building a Modern, Harmonious, and Creative High-Income Society." The term "Harmonious Society" is the slogan of China's present leaders, President Hu Jintao and Premier Wen Jiabao.

The world was treated to a video circulated online in February that showed Du Jianguo, editor of an environmental magazine in China, disrupting a press conference by World Bank President Robert Zoellick as Zoellick was unveiling his document. In front of the world press, Du stood up and denounced the document as "unconstitutional," saying it would "subvert the basic economic system of socialism." Before he was pushed off the platform by security, Du called the bankers' document "poison" aimed at capturing China's markets for international capitalists. (Wall Street Journal, Feb. 23)

### World Bank's attempt to promote counterrevolution

This document is part of the background to the factional struggle in China. It rep-

resents a firmer and more dangerous nexus between imperialism and the so-called “reform” faction, the more aggressive pro-capitalist faction, in China.

The Executive Summary of the document reads:

“First, implement structural reforms to strengthen the foundations for a market based economy by redefining the role of government, reforming and restructuring state enterprises and banks, developing the private sector, promoting competition, and deepening reforms in the land, labor, and financial markets. As an economy approaches the technology frontier and exhausts the potential for acquiring and applying technology from abroad, the role of government and its relationship to markets and the private sector needs to change fundamentally. While providing relatively fewer ‘tangible’ public goods and services directly, the government will need to provide more intangible public goods and services like systems, rules, and policies, which increase production efficiency, promote competition, facilitate specialization, enhance the efficiency of resource allocation, protect the environment, and reduce risks and uncertainties.

“In the enterprise sector, the focus will need to be further reforms of state enterprises (including measures to recalibrate the role of public resources, introduce modern corporate governance practices including separating ownership from management, and implement gradual ownership diversification where necessary), private sector development and fewer barriers to entry and exit, and increased competition in all sectors, including in strategic and pillar industries. In the financial sector, it would require commercializing the banking system,

gradually allowing interest rates to be set by market forces, deepening the capital market, and developing the legal and supervisory infrastructure to ensure financial stability and build the credible foundations for the internationalization of China’s financial sector.”

In other words, the World Bank, with the collaboration of the Development Research Center of the State Council, is recommending that state enterprises be reduced to dispensers of state services and advice, withdraw from the production of infrastructure, steel, energy and other “tangible goods,” and leave that to private capitalists. They further recommend that the banking system be integrated with world imperialist finance capital and that state planning be reduced to a nullity.

In short, they advocate the destruction of the very socialist structures that hold Chinese society together and that have enabled it to withstand the most severe capitalist crisis since World War II.

For a representative of the highest state body to help draft such a counterrevolutionary document, publicly associate his name with it and urge its adoption shows the degeneration of key sections of the highest leadership and, within the broader state apparatus, highlights the pernicious influence of unleashed capitalism in China.

This explains the urgent disruption of Zoellick’s press conference and the push-back that is coming from various quarters in China. This is not to say that the viewpoint represented by the World Bank document will be victorious. There are many forces in China, including the workers and peasants, who would strongly resist any attempt to fully implement this program.

Christine LaGarde, head of the International Monetary Fund, also chose the mo-

ment of the National People’s Congress to issue a statement in high praise of China’s economy. This was undoubtedly coordinated with the World Bank presentation of “China 2030.”

The severity of the struggle over the future of China also broke out in the open at the World Economic Forum in Davos, Switzerland, in January.

“A group of Chinese speakers warned in stringent tones on Friday morning [Jan. 27] in Davos that the country’s free-market reform is stalled, and China is sliding backwards towards greater state control of the economy.

“Hu Shuli, editor of Caixin Magazine and widely recognized leader of China’s ‘reform’ faction, launched a breakfast forum by identifying delayed economic reform as one of the two key risks for the Chinese economy going forward, alongside the weakening exports in the wake of the euro-zone crisis.” (Wall Street Journal, Jan. 27) Other Chinese participants agreed.

The world capitalist crisis has brought this struggle on at a crucial time of change in the Chinese leadership. The ouster and public humiliation of Bo, which brought this struggle to light, can best be understood in terms of a struggle over dangerously deepening capitalist reforms. With or without Bo, this serious struggle will continue.

For those who believe that there has been a complete restoration of capitalism in China, this whole matter may seem to be of little importance. But to the workers and peasants of China and to the rest of the world, the question of stopping the further advance of the counterrevolution is of supreme importance.

*March 20, 2012*

# Capitalist crisis versus planning

As contradictions mount in the global capitalist economy, they are reflected in China. The factional struggle in the Chinese leadership can only be understood as a struggle over which way to go forward and how to contain and resolve the mounting economic and social contradictions arising out of capitalist development.

The Chinese economy has been growing on a dual basis. First, it is based on centrally planned guidance designed to develop the productive forces and the material foundations for a society encompassing 1.3 billion people. However, since the victory of Deng Xiaoping and the “capitalist road” faction in 1978, planning has been increasingly based on the central government fostering and attempting to manage capitalism and the capitalist market as the means for national development.

The central government, through control of interest rates, credit, taxation and vast state-owned enterprises, both guides the economy toward broad economic and social goals and fosters capitalist development. The latter means class exploitation, inequality and corruption. The present political struggle is over which side of this contradiction to strengthen.

This complex subject will be discussed at length in subsequent articles. But suffice it to say that the so-called “reform” groupings in China — with the enthusiastic support of world imperialism and global finance capital — want to move away from state intervention, planning and central guidance and go further toward turning the fate of China over to the capitalist market, both internally and externally.

In our last article we covered the fact that Bo Xilai was summarily ousted from his post as Chinese Communist Party Secretary of Chongqing. This was a blow against the growing forces in the CCP and throughout China who want to combine the use of the capitalist market with social and economic

planning and state intervention in order to deal with growing inequality and who emphasize the needs of the masses. In Bo’s case, this economic orientation was combined with a popular attempt to revive Maoist culture and socialist values.

In China today, the concept of planned guidance of the broad direction of the economy and its various sectors is a drastic modification from the direct economic planning initiated after the triumph of the great Chinese Revolution in 1949. At the same time, it is an attempt to retain the planning principle as the fundamental framework guiding the overall development of the Chinese economy.

Consider just some of the goals and objectives outlined by the 12th Five Year Plan for 2011-2015, and the antagonism between planning and the anarchy of the capitalist market becomes utterly transparent. This plan was developed beginning in October 2010 and was approved by the National People’s Congress in March 2011.

The government is planning to devote 4 trillion renminbi (\$158.7 billion) to the development of seven Strategic Emerging Industries: biotechnology, new energy, high-end manufacturing equipment, energy conservation and environmental protection, clean-energy vehicles and next-generation internet technology. (APCO worldwide, Dec. 10, 2010)

An article in the March 4, 2011, New York Times detailed the plan’s goals, including:

- A 19.1 percent cut in the amount of energy used per unit of economic growth and a rapid expansion of the service economy.
- Building a national nanotechnology research center, 50 engineering centers, 32 national engineering laboratories and 56 other labs focusing on technologies like digital television and high-speed internet.
- Laying 621,000 miles of new fiber-optic cable and adding 35 million new broadband ports for a total of 223 million.
- A cap on total energy use, especially limiting the burning of coal.
- The development of well-equipped statistical and monitoring systems to gauge greenhouse gas emissions.
- Accelerated construction of sewage treatment plants, the retrofitting of coal-fired power plants with pollution controls, and the continuation of a pilot project to develop low-carbon cities.

In the previous period the state had opened 3,100 miles of new railroads and 74,600 miles of highways, completed 230,000 sports and fitness projects for rural residents, and built or renovated 891 hospitals and 1,228 health clinics.

In the realm of social welfare, the broad goals are to increase consumption from 35 percent of the gross domestic product to between 50 percent and 55 percent by increasing minimum wages, health care services and social welfare payments of various kinds.

Of course, it goes without saying that under a genuinely socialist government, workers would have their fundamental economic rights guaranteed as political rights. But those rights were largely overturned by the reforms that developed in China after 1978. Instead, in the environment of the capitalist market — with its mountains of corruption of government and party officials — the welfare of the workers and peasants has to be built up slowly and painfully through an uphill battle, which happens only through the intervention of the state. (More on this in future articles.)

Whether or not the government achieves the precise goals set out is not the issue. The point is that such sweeping social and economic goals could not possibly be handed over to profit-driven capitalists and the anarchy of the commodity market. The bosses

would seek the highest rate of profit. They would never voluntarily raise wages, improve working conditions, build hospitals, clinics, rural fitness centers or anything that did not bring a profit.

### **China's response to 2008-09 world capitalist crisis**

To grasp the seriousness of the proposals to further limit planning and intervention by the state, it is only necessary to consider what happened during the world capitalist financial and economic crisis of 2008 and 2009, when the global crisis of capitalist overproduction and the financial collapse invaded China.

More than 20 million workers lost their jobs, mainly in manufacturing and predominantly in coastal provinces such as Guangdong, where special economic zones had been set up so imperialist corporations, companies from Taiwan, Hong Kong and South Korea, and other exploiters could take advantage of low-wage migrant labor flooding in from the rural interior.

During this period production of world capitalism dropped more than it had in 70 years. Tens of millions of workers worldwide were thrown onto unemployment lines. Most of them are still there. Bankruptcy followed bankruptcy, and the capitalist system has still not recovered.

What happened in China? When the crisis hit, China's central planners went into motion. Plans drafted as far back as 2003 to go into effect in future years were pushed forward and implemented.

Nicholas Lardy, a bourgeois China expert from the prestigious Peterson Institute for International Economics, describes how consumption in China actually grew during the crisis of 2008-09, wages went up, and the

government created enough jobs to compensate for the layoffs caused by the global crisis:

"In a year in which GDP expansion [in China] was the slowest in almost a decade, how could consumption growth in 2009 have been so strong in relative terms? How could this happen at a time when employment in export-oriented industries was collapsing, with a survey conducted by the Ministry of Agriculture reporting the loss of 20 million jobs in export manufacturing centers along the southeast coast, notably in Guangdong Province? The relatively strong growth of consumption in 2009 is explained by several factors. First, the boom in investment, particularly in construction activities, appears to have generated additional employment sufficient to offset a very large portion of the job losses in the export sector. For the year as a whole the Chinese economy created 11.02 million jobs in urban areas, very nearly matching the 11.13 million urban jobs created in 2008.

"Second, while the growth of employment slowed slightly, wages continued to rise. In nominal terms wages in the formal sector rose 12 percent, a few percentage points below the average of the previous five years (National Bureau of Statistics of China 2010f, 131). In real terms the increase was almost 13 percent. Third, the government continued its programs of increasing payments to those drawing pensions and raising transfer payments to China's lowest-income residents. Monthly pension payments for enterprise retirees increased by RMB120, or 10 percent, in January 2009, substantially more than the 5.9 percent increase in consumer prices in 2008. This raised the total payments to retirees by about RMB75 billion. The Ministry of Civil Affairs raised transfer payments to about 70

million of China's lowest-income citizens by a third, for an increase of RMB20 billion in 2009 (Ministry of Civil Affairs 2010)." ("Sustaining China's Economic Growth after the Global Financial Crisis," Kindle Locations 664-666, Peterson Institute for International Economics)

The Ministry of Railroads introduced eight specific plans, to be completed in 2020, to be implemented in the crisis. The World Bank called it "perhaps the biggest single planned program of passenger rail investment there has ever been in one country." In addition, ultra-high-voltage grid projects were undertaken, among other advances.

The lesson is that while the anarchy of production of world capitalism invaded China, the rational and meticulously developed plans drawn up for social use overcame the anarchy of the capitalist market. This not only protected the masses from a protracted, massive unemployment crisis, but it actually continued the process of raising the standard of living during a time when hundreds of millions of workers throughout the entire capitalist world were left helpless and traumatized by the crisis of capitalist overproduction.

In Marxist terms the principle of planning, established by the Chinese socialist revolution of 1949 — even though it has been watered down to the practice of "guidance" — overcame what Marx called the law of labor value, the very law that governs the operation of capitalism itself. The Chinese leaders were compelled, and had the capability, to use rational planning based on satisfying human need to overcome the disaster brought about by their own policy of relying on the world capitalist market.

*March 27, 2012*

# The Chongqing vs. Guangdong models and inner party struggle

The ouster of Bo Xilai as Communist Party Secretary of Chongqing comes at a juncture of intensifying contradictions, pressures and antagonisms in China. They reflect three decades of a steadily advancing encroachment of the capitalist mode of production and a dangerous erosion of the socialist framework established by the great Chinese Revolution of 1949.

The Chinese Communist Party leadership is rent with conflict. On the one hand are pressures from China's growing internal capitalist and middle classes, as well as from the imperialist banks, represented by the World Bank. On the other hand is the growing discontent of millions of workers and peasants.

Furthermore, as the state-owned sector of the economy grows, the capitalist side is also expanding. Capital expands automatically through the accumulation of profits. The state sector, however, expands as a matter of conscious policy and the absolute growth of the economy. Its growth reflects the magnitude of tasks the state-owned banks and enterprises are called upon to perform.

The struggle to control the planned development of society while retaining sovereignty over the Chinese economy inevitably collides with the growth of the internal contradictions of capitalist development and the infectious influence of global finance capital.

The CCP leaders are trying to plan high-speed railroads, advanced communications, hospitals, health centers and aid for rural development to close the gap between the highly developed east and the underdeveloped west. They are introducing more ecologically sound technology and other strategic industries while improving the social security system for 1.3 billion people. At the same time, they have to worry about the development of inflation, real estate bubbles, the global capitalist economic crisis, mounting inequality of wealth, and a clamor by the bourgeois el-

ements for so-called democratic reforms — which would be a channel for open political organizing of the capitalist class and its middle-class supporters.

As these contradictions and antagonisms mature, the question of which way forward for China becomes more and more pressing.

## Chongqing versus Guangdong

In the recent period, differences in the leadership have surfaced in the controversy over the so-called Chongqing model versus the Guangdong model. Bo Xilai has been identified with the Chongqing model, which has come under heavy fire since his ouster.

Chongqing is the largest municipality in China and perhaps the world. It has a population of 33 million and is located inland in western China. It is one of China's four centrally ruled municipalities, the others being Beijing, Shanghai and Tianjin. It has a rural area of 23 million farmers and an urban population of 10 million. Millions of farmers are employed as migrant workers in the city.

Guangdong is the largest province in China, with 104 million people. One-third of the population, 36 million, are migrant workers. It is on the east coast and is the site of the Pearl River delta, where the turn toward market reforms and "opening up" first allowed the establishment of special economic zones. Overseas capitalists from the imperialist countries as well as Hong Kong, Taiwan and south Korea are heavily invested there, and have created a large, low-wage manufacturing industry geared toward exports.

Bo Xilai became the party secretary of Chongqing in 2007. He initiated a policy of emphasizing the dominant role of the state in the economy alongside the capitalist market. Under his regime half of the budget of Chongqing was spent on health care, housing, pensions, education and other public services. ("One or Two Chinese Models?" European Council on Foreign Relations,

Asia Centre, November 2011) Some 87 percent of its recent growth was in the state sector.

The government has undertaken to build 800,000 units of low-income housing with rents at 40 percent below market rates and a low-income limit for eligibility. (Bloomberg Businessweek, March 22) The apartments can be owned after five years, but cannot be thrown on the market. The units are built in the center of the city, near higher-income housing to prevent ghettoizing.

The government in Chongqing is also spending 300 billion yuan (\$47.6 billion) for rural education, health care and housing. In addition, it has developed a policy to allow and encourage the rural population to migrate to the city, but at the same time balances that with a policy to develop new agricultural areas. In China's so-called "hukou" system of residency permits, everyone has either a rural hukou or an urban hukou. Urban residents are entitled to social benefits like health care and education at government-subsidized prices.

Chongqing was the first city in China to develop this rural-to-urban program. Its goal is to allow 10 million farmers to get urban permits. ("Bo Xilai and the Chongqing Model," East Asian Institute, Vol. 1, No. 3)

## 'Red culture' versus more 'opening up'

Politically, Bo initiated what he termed "red culture." This included encouraging and organizing the singing of songs from the Mao era and performances of operas from the period of the Cultural Revolution. He stopped commercials on the local television station, replacing them with Maoist and other readings and performances. He had Mao sayings tweeted to cell phone users in the city. And he took a 1,000-member singing troupe to Beijing to sing Maoist songs.

Bo recommended that students and government workers spend time in rural areas to get experience with the life of the masses.

Bo initiated a crackdown on gangsters and corrupt party and government officials. And he initiated this by calling on the masses to submit “letters of denunciation.”

The Guangdong model, on the other hand, emphasizes the capitalist market as the dominant force in development. Shenzhen is the city that Deng Xiaoping visited in 1992 when he declared “opening up” China to foreign investment. It was the first special economic zone. Since then the province has been known as the area where the capitalist market prevails over state enterprises and planning.

The present party secretary in Guangdong, Wang Yang, was appointed in 2007. He had been in Chongqing, but Bo Xilai took his place. Wang has openly advocated the superiority of the capitalist market in allocating resources. He has called for “small government.” (Wall Street Journal, March 14) Wang’s policy is for further “opening up” and “reforms.”

Guangdong has been the site of numerous workers’ strikes and rebellions. Some 200-plus strikes took place in the Pearl River delta last year, beginning in May with Honda workers near Guangzhou. (The Economist, Nov. 26, 2011)

Wang preaches democracy, but the class orientation of his democracy was illustrated by an experimental local election he authorized in the city of Dandan last September. As The Economist reported, fewer than 7,000 local inhabitants were allowed to vote, while 60,000 sweatshop workers who had come from other provinces were disenfranchised.

#### **‘Red GDP’**

Before Bo was ousted, he and Wang were both candidates for the nine-member Standing Committee of the CCP’s Politburo. There was open struggle between them. Bo called for a “red GDP,” meaning economic development had to be subordinate to the well-being of the masses. Their differences emerged publicly in a famous controversy shrouded in an analogy called “cutting the cake.” The “cake” was a metaphor for the GDP — the country’s total production of goods and services.

On July 10 of last year, Bo said that a “better division of the cake” takes priority over “making the cake bigger.” The next day

Wang answered with “to make the cake bigger, we must still concentrate on economic development.” In other words, overcoming inequality takes a backseat to production and profits. (“Bo Xilai and Wang Yang: China’s Future Leaders?” Jeffrey Hays, factsanddetails.com, updated March 2012)

The political left in China has rallied to the cause of Bo, and had great hopes for his ascendancy to the Standing Committee. In the wake of his ouster, many web sites of the left have been shut down for a month. The struggle is shrouded in secrecy, and it is very hard for the masses or revolutionaries and progressives inside China, as well as outside, to get any kind of accurate picture.

But it is clear that the Bo forces favoring the Chongqing model are oriented to blocking further inroads of capitalism in China and reversing it, if possible. The forces that side with Wang and the Guangdong model are for widening the capitalist road.

#### **Center-right bloc against Bo**

The immediate task in the present struggle is to push back against the right and the counterrevolution. However, by lining up against Bo, the party center is in a bloc with the right. The center is fearful of the Maoist revival and the leftist mood. The fear is that this could merge with the mass discontent down below and take the form of not just an economic struggle against inequality, but a political struggle against the capitalist road. (Last year China reported 180,000 “incidents” — protests, strikes and rebellions.) But the right wing is counterrevolutionary and wants to go all the way in bringing the capitalist class to power.

In truth, the Chongqing model, while certainly preferable to free-market capitalism and the political reaction of the Guangdong model, is only a stop-gap measure at best. It still retains the capitalist market as a significant force. And capital grows through the accumulation of profits. Furthermore, 93 of Fortune 500 global corporations are operating in Chongqing.

Reviving Maoist culture is a step in the right direction. Fighting inequality is also a step in the right direction. But what is more to the point is to revive the spirit of workers’ struggle that was advocated and led by Mao.

#### **Cultural Revolution model**

Before Bo was ousted, Premier Wen Jiabao attacked Bo and warned of the “horrors of the Cultural Revolution.” What precisely were these “horrors”? The essence of the Cultural Revolution was to mobilize and empower the workers to run socialist society, in the spirit of the Paris Commune. The goal was to oust privileged officials from their comfortable positions of authority and establish a revolutionary dictatorship under the direct authority of the proletariat. Of course, excesses were committed during that period. But the excesses were not the essence of what took place. The essence was the attempt to “storm the heavens,” as Marx referred to the goal of the Paris communards. The essence was for the Chinese workers to rule directly and take their destiny into their own hands. No amount of vilification of the Cultural Revolution can erase that.

No one could suppose for a moment that such a development is in the offing. But everyone in China who stands for the working class and Marxism must be asking themselves, which way back? How do the Chinese workers and peasants get back to the socialist model they once had?

Deng Xiaoping and his political descendants in China justified their program of so-called “market socialism” on the ground that China needed the capitalist market and capitalist technology to develop. Leaving aside the validity of that assertion, the fact is that China has developed enormously. It is now the second-largest economy in the world. The working class has gone from 30 million to more than 450 million. China is competing with imperialism in cutting-edge technology.

All justification for needing capitalism to further develop has been undermined by China’s economic advances. The interests of the workers have been mercilessly sacrificed, counterpoising them to the need for development. The task now is to find the way back. When casting about for models to take China back on the socialist road, the road of the Cultural Revolution is a glorious one. It’s not necessary to retain the same name or make it a carbon copy of the original. What is important is to revive its revolutionary essence.

April 12, 2012

# Bo Xilai corruption charges a smokescreen

## Right-wing on offensive

**T**he campaign of vilification to destroy Bo Xilai is an all-out attempt by the top leadership of the Communist Party of China to put up a smokescreen concealing a right-left political struggle over the deepening economic and political penetration of capitalism at the summits of Chinese society.

Bo has been charged with violations of discipline. Corruption charges against him are being contemplated. His spouse, Gu Kailai, is being investigated in connection with the death of British businessman Neil Heywood.

A front-page editorial appeared in the People's Daily of April 12 and was carried in every Chinese media outlet. It called on the people "to maintain a high level of ideological unity with the CPC Central Committee with Hu as the general secretary, and hold high the great banner of socialism with Chinese characteristics."

The editorial adds, "We should strive to safeguard the favorable situation concerning China's reform, development and stability, make new achievements in building a moderately prosperous society in all aspects, and speed up the socialist modernization drive, thus to welcome the 18th CPC national congress."

This was followed by an avalanche of charges, innuendo and so-called exposures of corruption by Gu Kailai.

What is clear from this unprecedented attack is that the top leadership of the CPC is terrified of having a political and ideological debate about the future course of China either in the Central Committee or in front of the masses of people. Bo Xilai's Chongqing model — raising the living standards and social benefits of the workers and peasants and reviving Maoist culture — are the real issues.

The capitalist reform-minded factions in the leadership were faced with the spreading popularity of Bo's model and his emphasis on "socialist values," along with his

crackdown on corrupt party and government officials and business people in league with criminal elements. This earned him a host of enemies.

One China expert has put the case succinctly: "It's about whether to reform or not reform," said Zheng Yongnian, who directs the East Asia Institute at the National University of Singapore. (New York Times, March 21)

### Monumental issue facing China

This is the issue underlying the present campaign of political annihilation. The leadership has chosen the course of evading the monumental issue facing China: whether to take longer strides toward a full-scale restoration of capitalism, or to hold the line and try to repair some of the damage done to the masses and the socialist system by the unleashing of capitalism for more than 30 years. These are issues of supreme importance to the Chinese workers and peasants and to the entire working class of the world.

Yet the CPC leadership has reduced the struggle — which is between, on the one hand, Bo Xilai and all those in his political current, and on the other, the faction led by outgoing Premier Wen Jiabao that urges the party to "further open up and reform" — to a narrow and diversionary question of corruption. By doing so they have swept under the rug the agenda of the right-wing, the Gorbachevs of China.

### The agenda of the right

That agenda includes undermining the state banks and the state-owned enterprises, integrating China's banks more completely into the world capitalist financial system, further unleashing the financial power of private capital, pushing for a form of bourgeois democracy, and allowing bourgeois elements greater authority within the state.

The world imperialist establishment knows what is at stake in China.

The world capitalist system is gasping for

breath, trying to keep its head above water as it struggles fruitlessly to extricate itself from the great crisis that began in 2007. It was the collapse of the USSR and Eastern Europe in 1989-1991 that gave the faltering capitalist system a lease on life. Just as the first jobless recovery of U.S. capitalism in 1991-1992 was dragging the workers and the system down, the collapse of the USSR allowed them 17 more years of economic expansion.

Today the world bourgeoisie is looking anxiously at China with similar hopes. But it is not just looking. It is working overtime to deepen the transformation of China into a capitalist state. The world capitalist system has been teetering on the edge of a renewed crisis since the so-called "recovery" in 2009. The system is plagued by an excess of capital, insufficient markets and perennial overproduction. As finance capital sees it, a surge into China would serve to bring vast profits to the global capitalist system and alleviate its crisis.

The capitalist ruling class is making a full-court press at the critical juncture of a change in the leadership of the CPC. Bo Xilai, who was scheduled to become a member of the Standing Committee of the Politburo, stood in their way.

In a previous article, we referred to a report issued by the World Bank called "China 2030." It was co-authored by the Development Research Center, an organ of China's State Council.

A commentary on the report carried in The Economist of Feb. 28 noted: "The DRC is an influential organization which supplies the government with policy advice. The finance ministry was also involved. A deputy prime minister, Li Keqiang, who is expected to take over as prime minister from Wen Jiabao next year, is thought to have played an active role in arranging this co-operation between officialdom and the bank."

As the World Bank itself noted in a Feb. 27 release: "The report makes the case for the

government to redefine its role — to focus more on systems, rules and laws — to boost efficient production, promote competition, and reduce risks. It recommends redefining the roles of state-owned enterprises and breaking up monopolies in certain industries, diversifying ownership, lowering entry barriers to private firms, and easing access to finance for small and medium enterprises.

“Reforms should include commercializing the banking system, gradually removing interest rate controls, deepening the capital market and further developing independent and strong regulatory bodies to support the eventual integration of China’s financial sector within the global financial system. Financial reforms in the next two decades should be decisive, comprehensive and well coordinated, following a properly sequenced roadmap. A priority is to liberalize interest rates according to market principles.”

### Road map to counterrevolution

This is the so-called “reform” roadmap to full-scale capitalist counterrevolution.

It is no wonder that the world capitalist press has become an enthusiastic participant in the struggle against Bo. The New York Times, the Washington Post and the Wall Street Journal are carrying breathless accounts of every charge against Bo, Gu and their son. Bear in mind that the legal proceedings, the flow of information and control over the means of communication in China are entirely in the hands of a grouping of authorities politically hostile to Bo. They are bent on his destruction because of his opposition to deepening the role of the capitalist market at the commanding heights of the Chinese economy. Yet every accusation, every bit of gossip, every innuendo and unproven charge is repeated verbatim by the mouthpieces of world capitalism.

Whatever the facts of Bo’s case, if they will ever be known, nothing can override the fact that corruption and privilege are widespread in China at the highest level. The children of high party officials have been schooled in prestigious Western institutions ever since the beginning of the Deng Xiaoping era. Other party officials have personally benefited from economic development. To unleash a highly publicized national campaign against “corruption,” as is being done in the case of Bo and Gu, is totally arbitrary

and politically motivated at a crucial moment of a change in the leadership and the upcoming 18th Party Congress.

The New York Times of April 12 admitted as much: “The disclosure of the charges against the Bos was carefully scripted, and apparently timed, to dispense with Mr. Bo well ahead of a planned turnover of Communist leaders and the 18th Party Congress this autumn.”

Conspicuously absent in the capitalist media is any criticism of “authoritarian methods” that the scribes of the ruling class are quick to use when they perceive an attack on one of their allies in China. Not a word about “freedom of the press” in the wake of the orchestrated attacks on Bo and Gu that have blanketed the media. Not a word of indignation about “censorship” when the CPC authorities admitted that they had shut down 42 Web sites and censored 210,000 online comments on this case since mid-March. (New York Times, April 14) The authorities have disallowed the word Bo or anything related to it on the Internet.

The great Washington and Wall Street promoters of “democracy” in Syria, Iran, Libya, the Democratic People’s Republic of Korea, and everywhere else where they want to overthrow the government, have not a word to say about the “democratic rights” of the Bo grouping to have their voices heard by the Chinese people.

Where are the pious voices of the “human rights” organizations, the ones that will let out a hue and cry on signal if some bourgeois dissident who wants to destroy communism root-and-branch is attacked or punished by the Chinese authorities?

Where are the workers’ rights organizations that, whether or not they are well meaning, should be in a bloc with the Bo faction against the right? After all, as party secretary for Chongqing, Bo fought to alleviate the harsh conditions that had been imposed on the workers and peasants by economic growth linked to the development of the capitalist market.

To be sure, Bo was not opposed to capitalist relations in principle; he has been a follower of the so-called “market socialism” model. But his promotion of expanding the economic and social benefits of the workers and peasants and his promotion of “socialist values” was favorable to them, compared to

the reactionary program of letting the capitalist market prevail, a position upheld by Wen Jiabao and Bo’s accusers.

Wen Jiabao appears to be the architect of the anti-Bo campaign. We will deal with the question of his political origins and alignment in the political struggle in China at a later point. Suffice it to say for now that his political history includes showing sympathy for the counterrevolutionary uprising at Tiananmen Square in 1989.

Wen opened up the public attack on Bo at what was billed as his last public press conference on March 14, a day before the announcement of the removal of Bo and after the conclusion of the National People’s Congress. Wen warned that “now reforms in China have come to a critical stage. … Without successful political reform, it’s impossible for China to fully institute economic reform and the gains we have made in these areas may be lost, and new problems that popped up in Chinese society will not be fundamentally resolved, and such historical tragedies as the Cultural Revolution [1966-1976] may happen again in China.” (UPI.com, March 15)

Wen said he had addressed the topic of political structural reform in China on many occasions in recent years, giving his views on the topic in full and in detail. He said his long-standing interest in political reforms came from “a strong sense of responsibility.”

Over the last month, the question of a return to the Cultural Revolution and the revival of Mao has disappeared from the discourse. The subject has been changed to corruption. In fact, a month later, on April 14, Wen wrote a lead article for the Central Committee journal Qiushi calling for a campaign against corruption and exposing the names of the corrupt.

The struggle opened up against the Cultural Revolution, but it has switched to one against corruption. While everyone should want to root out corruption, this smacks of fear of raising the Cultural Revolution in particular and Maoism in general as issues to be debated, particularly in front of the masses. They might very well take sides with the revival of socialist values and get a glimpse of the role the workers can and should play in shaping and reviving socialism and Chinese society.

# The Wenzhou pilot program

## After Bo's ouster, capital takes another step forward

The campaign in China to discredit Bo Xilai has reached a new crescendo. Every newspaper, television and radio station in the country has carried official statements and editorials attacking Bo and repeating the charge that he is under investigation for unspecified "serious disciplinary violations."

The factions in the Chinese Communist Party leadership that are in charge of this campaign are afraid to attack Bo for his progressive policies when, as party secretary for the megacity of Chongqing, he tried to reduce inequality, built low-cost housing for workers, allowed peasants to move to the cities, and promoted "socialist values" and the singing of "red songs" of the Cultural Revolution era.

Ironically, Bo's case has become the occasion for a national campaign against corruption, implying that corruption and Bo are somehow linked.

In fact, Bo initiated a powerful campaign in Chongqing against corrupt government officials and business people as well as party officials and the criminal underworld. Prior to Bo's ouster, his campaign drew much support throughout China, which is rife with corrupt officials.

Numerous officials close to Bo are also under investigation as the campaign of vilification and intimidation reaches greater and greater heights. This can only signify fear of support for Bo and a determination to stamp it out.

### Wen: Break the 'monopoly' of state banks

Meanwhile, another sequence of events has unfolded, culminating in the approval of the so-called "Wenzhou pilot program." This sheds light on the underlying political issues in the factional struggle.

On March 15, Premier Wen Jiabao made a public attack directed at Bo: "Reforms have reached a critical stage. Without the success of political reforms, economic reforms cannot be carried out. The results of what we have achieved may be lost. A historical tragedy like the Cultural Revolution may occur again. Each party member and cadre should feel a sense of urgency." The following day it was announced that Bo had been removed from all his posts.

Wen has been a leader of the right wing in the Chinese Communist Party leadership. He has pushed for bourgeois-style political reform and for deepening and widening the role of the capitalist market in China.

On March 28, Wen presided over a State Council executive meeting that approved moving forward with the legalization of private capital lending to businesses in the city of Wenzhou, a practice that had been illegal. (xinhuanet.com, April 5) Up to that point, the right to extend commercial loans in Wenzhou had been restricted to state-owned banks.

Wenzhou is a manufacturing and commercial coastal city of 3 million, with a metropolitan area of 9 million. It has been a key center of the development of capitalism in China since the beginning of the introduction of so-called "market socialism" in the late 1970s under Deng Xiaoping.

According to the Jakarta Globe (online) of April 4, Wen declared over China National Radio that the country needed to break the "monopoly" of the state-owned banks.

"In regards to financing costs, let me honestly say that our banks are making a profit too easily. Why is this so? It's because a few big banks are in a monopoly position. Only when we approach these banks can

we successfully get loans, if we go to other places it is very difficult.

"What we can now do to ease private capital flow into the financial system, fundamentally speaking, is to break this monopoly."

The Indonesian newspaper commented that "China has seen an explosion in underground lending fueled by credit restrictions, raising concerns among top leaders about a surge in bad debts and defaults in the private sector.

"Independent business owners have had to borrow money at high interest rates from informal lenders after being rejected by major banks, who favor other state-controlled enterprises."

### Chinese private finance capital gets a major boost

The Wenzhou pilot program is a further breakthrough for private capitalists. It allows private capital to flow into the city. This private finance capital can be concentrated and grow. It will significantly enhance the accumulation of capital by the bourgeoisie.

Private financing also weakens the control of the state banks over investment decisions and the allocation of national resources. The state banks operate on a commercial basis but are ultimately under the supervision and direction of the Communist Party, the government and the state planning apparatus. In this capacity they are able to lend according to national development policies and priorities, even when this lending conflicts with profit margins and the capitalist market.

Plans for the Wenzhou pilot program have languished in the State Council for a long time. The capitalists of Wenzhou were damaged by the world capitalist crisis of 2007-2008 and have been pushing for financing to recover and grow. According

to the Beijing Review, “The idea of changing Wenzhou’s financial environment first emerged in late 2011, and the long-awaited decision came as underground private financing activities in Wenzhou have stirred up financial disputes and crime while threatening Wenzhou’s financial and economic stability.” (bjreview.com, April 16)

The discussion of the Wenzhou experiment actually goes back further than late 2011. It has obviously been the subject of internal struggle. In fact, at one point permission was granted for expanding foreign investment quotas for Wenzhou, but then was cancelled. But the important point is that it was only after Bo was pushed out and Wen and his faction had seized the initiative that this unleashing of private finance capital in Wenzhou was finally approved.

The Beijing Review continued: “According to the program, informal moneylenders will be encouraged to register as private lending institutions free to operate with the blessing of the state.

“The participation of private capital — in the form of setting up or taking shares of rural banks and credit companies — is encouraged and supported in the reform process. Eligible micro-finance companies could be transformed into rural banks. Private funds will also be guided toward the establishment of venture capital and private equity activities as well as other types of investment bodies. [Our emphasis — FG]

“The program points out the direction in which the private capital should be channeled. The registration requirement for private capital will turn underground private lending into formal lending above it,” said Zhang Yili, Vice Dean of the School of Business with Wenzhou University.

“The private lending industry in China was estimated to have grown to 4 trillion yuan (\$634 billion) last year, according to a research report issued by CITIC Securities based in Beijing.

“In Wenzhou the size of this industry was about 180 billion yuan (\$28.57 billion),

with nearly 90 percent of the city’s residents involved in the loan-shark business, according to the Bank of Wenzhou, the biggest local commercial bank.”

In essence, this means that loan-sharking is being legalized, giving free rein to almost \$30 billion in finance capital to operate on its own in Wenzhou.

### World Bank and Wenzhou

The passage in the Beijing Review article referring to the establishment of venture capital and private equity firms is important to note. In the 450-page World Bank document entitled, “China 2030,” co-sponsored by the Development Research Center, an organ of the State Council, there is a strong recommendation to transform the state banks, and part of that recommendation includes setting up exactly the same model of private finance capital as recommended in the Wenzhou program.

The document said: “A key advantage of capital markets relative to banks stems from the fact that multiple potential investors evaluate business opportunities, which can help assess the viability of new technologies. Venture capital and private equity industries will have to play a bigger role in financing technologically advanced industries. [Our emphasis — FG]

Institutional investors will also play an increasingly important role in the development of China’s capital market.” (“China 2030” by the World Bank and the Development Research Center of the State Council, People’s Republic of China, p. 128)

Since the ouster of Bo, Wen and the State Council have been rushing to set up the very institutions recommended by the World Bank, which speaks for world finance capital.

In addition to setting up private financing to rival state banks, the “experiment” is going to raise the limit on foreign investment from \$50 million to \$200 million and expand the scope beyond state control. “The new policy stipulates that the maximum di-

rect investment per year should not exceed 200 million USD for individual, and 1,000 million USD for multiple individuals in the same project. Investors can set up non-financial enterprise overseas through establishing, merging, or shareholding; they can also gain the ownership and management of the pre-existed non-financial enterprise overseas through the ways aforementioned.” (U.S.-China Policy Foundation, April 6, us-cpf.org)

The Beijing Review quoted authorities who approved of the changes: “The reform will pull Wenzhou’s real economy out of the predicament it now finds itself in and regain the reputation of Wenzhou’s private enterprises,” said Zheng Chen’ai, Director of Wenzhou Fashion Association.

“The government aims to test the waters through Wenzhou and then accumulate experience for the nationwide reform,” said Guo Tianyong, Director of the Research Center of China Banking Industry at the Central University of Finance and Economics.

So Wenzhou was suffering from a capitalist crisis. There are close to 400,000 businesses there. Perhaps one-third of them are in crisis.

This crisis in the birthplace of Chinese capitalism under the post-Mao regime of “market socialism” is also a crisis for the working class of Wenzhou. Not a word about their crisis has been issued by the State Council. It is all about the flow of capital.

It is in this perspective that the struggle against Bo should be seen. He raised the slogan of “Red GDP” meaning that development has to be achieved with concern for the workers and peasants. This slogan is a far cry from a demand for a full return to socialism. But from a class point of view, given the struggle in China, Bo’s orientation is a reflection of the needs of the masses as opposed to Wen, whose outlook is a carbon copy of the program advanced by the World Bank and world capital.

April 27, 2012

## Wall Street gains in China-U.S. talks

# Imperialism hails Chen, hits Bo

The capitalist media worldwide have given a resounding show of support for the cause of Chen Guangcheng, a sightless dissident activist and pawn of U.S. intelligence who was smuggled into the U.S. Embassy in Beijing on April 27.

This is in sharp contrast to the universal media condemnation of Bo Xilai, formerly the Communist Party of China's secretary for the provincial city of Chongqing, who was purged because of his left-wing challenge to the course of China's economic and social development.

Chen appeared in the U.S. Embassy on the eve of scheduled negotiations on economic and political matters between Secretary of State Hillary Rodham Clinton and Treasury Secretary Timothy Geithner, on the one hand, and top Chinese government officials, on the other. Whether this was engineered by a Republican Party-oriented faction of the CIA to embarrass the Obama administration, or was a failed attempt by the Obama administration to make a showing in defense of so-called "human rights" in China, is hard to determine.

In any case, this carefully worked out plot to get Chen to the U.S. Embassy must be seen in light of the timely defection in early February by the police chief of Chongqing, Wang Lijun, to the U.S. Consulate/CIA station in Chengdu, in Sichuan province. Wang showed up at the consulate and handed over alleged evidence of crimes by Bo and his spouse, Gu Kailai, to U.S. officials. Wang's visit to the U.S. Consulate set the stage for the purge of Bo, who was at that time a strong candidate to become a member of the Standing Committee of the Politburo of the CPC. In both these incidents, U.S. intelligence officials and diplomats were central to the events.

Chen's escape was carefully planned and orchestrated. It included a 300-mile drive to Beijing, safe houses and a closely choreo-

graphed transfer of Chen from the getaway car to a U.S. Embassy car, which then raced to the Marine compound inside the embassy. (New York Times, May 2) However the Chen affair was organized, it shows the underlying aggressiveness of Washington in its campaign to subvert the People's Republic of China.

While the purge of Bo has far greater significance than the case of Chen, the details of the Chen case are revealing. Chen is a sightless lawyer who brought a class action suit against the government opposing alleged forced abortion. The Chinese government policy seeks to limit the number of children a family can have to control population growth in order to ensure its ability to feed the 1.3 billion people already there. It is a complicated issue.

Whatever one's position on this, the fact is that counterrevolutionaries in China make it a practice of wrapping their anti-communism in popular grievances. Some are legitimate — like workers' rights and peasants' rights. Some are not — like bourgeois political reforms to empower the growing middle and upper classes who have prospered under the capitalist reforms. Whatever cause they take up, the goal is to undermine or destroy the institutions of Chinese socialism that have survived the capitalist reforms.

### A counterrevolutionary network

The issue here is that Chen is part of a counterrevolutionary network that conspired to get him to the U.S. Embassy. It swung into action, from Washington to Texas to North Carolina to New York University, in a coordinated effort to fan anti-China flames.

The cheerleaders for Chen include "Pastor" Bob Fu in Midland, Texas, who "found God" after being part of the failed attempt to overthrow Chinese socialism in 1989

during the Tiananmen Square counterrevolutionary uprising. He settled in Midland, surrounded by oil wells and cattle ranches, and founded the Christian "rights" group China Aid to reach out to other counterrevolutionaries inside China. In his office is a photo of George W. Bush posing with Chinese exiles. (Washington Post, May 2)

Fu turned up at a hearing of the House of Representatives' China Commission on May 3. The hearing was interrupted as Fu translated for national television a conversation between Chen and the chairperson of the commission, Christopher Smith, a Republican from New Jersey. Chen was telling Smith how "disappointed" he was in Hillary Clinton, among other things.

The Obama administration suffered another setback when Chen changed his mind about staying in China, saying he wanted to go into exile in the U.S. Chen held a phone conversation while in the hospital with his lawyer, Teng Biao, who allegedly talked him into changing his mind.

Teng Biao is a lawyer at the China University of Political Science and Law. He has been the legal representative for the anti-communist group Falun Gong and for pro-imperialist Tibetan separatists. Teng was also a signer of Charter 08 in December 2008. This document was modeled on the anti-Soviet Charter 77, a counterrevolutionary manifesto signed by Czechoslovakian reactionaries that helped pave the way for the destruction of socialism in Eastern Europe.

Charter 08 called for many bourgeois rights in China. Demand number 14 of the charter begins with the following: "Establish and protect private property rights, and implement a system based on a free and open market economy," including privatizing state enterprises and land. (foreignpolicy.com, Oct. 8, 2010)

NYU law professor Jerome Cohen, a long-time collaborator of Chen and the U.S.

government, on signal from the State Department became Chen's U.S. legal adviser during the embassy events and extended an offer for Chen to study at NYU. Wang Dan, leader of the Tiananmen uprising, now in exile in California, wrote an op-ed piece for the New York Times welcoming Chen to exile in the U.S.

Boxun, a counterrevolutionary chat room run out of Durham, N.C., by Watson Meng, took up the cause. Meng tried to promote a "jasmine revolution" last February to start a Tunisian or Egyptian-style movement to overthrow the Chinese government. (Financial Times, April 22)

A true counterrevolutionary chorus sing the praises of Chen reverberated from one end of the capitalist media to the other, inspired and led by the baton of the CIA and U.S. imperialism.

### **Clinton, Geithner & Wall Street**

Alongside political subversion was the even more important pressure brought to bear by Clinton and Geithner in the annual U.S.-China Strategic and Economic Dialogue. Geithner opened up the talks with an arrogant lecture: "China must rely more on domestic consumption rather than exports, and more on innovation by private companies rather than capacity expansion by state-owned enterprises." (New York Times, May 4)

The U.S. delegation came with a plan for China to improve the "safety net" for the Chinese people and to build a consumer society: China should "rebalance" its economy and not rely on national development projects and exports. China should raise the value of its currency and allow more competition. It should reduce subsidies to the state-owned corporations and give private capital a better chance. State-owned enterprises should pay more dividends to the government to finance the safety net to ensure that people would spend more money.

In these demands, the predatory inter-

ests of Wall Street are couched in soothing words about improving the lives of the Chinese people. But the fact is — as the Chinese leaders know full well — the imperialist corporations are facing a world capitalist crisis and are desperate for markets, not only to utilize their overcapacity in the production of commodities but to expand their areas of capital investment.

The pressure to further open up the Chinese market is growing more intense with every report about the growing recessionary tide in Europe and the economic slowdowns in India, Brazil, Russia and throughout the world capitalist system. Capitalism is slowly buckling under the weight of its own productivity and the consequent stresses of overproduction.

### **Concessions on investment**

Washington got agreement from the Chinese negotiators at the meeting to allow foreign firms to take up to a 49 percent stake in joint securities ventures. A hefty increase from the current limit of 33 percent, this gives American financial firms greater ability to invest in the country. China also agreed to make it easier for American firms to offer financing for auto loans. This permits U.S. finance capital to take more wealth out of China and to wield greater financial influence in the markets.

This is a Chinese concession to the urgent pressure of U.S. bankers and brokers to find new sources of profitable, secure financial investment, which is being called into question every day as the global debt crisis deepens.

The struggle over exchange rates seems to have ended in pretty much of a stalemate. The Chinese made soft, verbal promises to consider many of the measures put forward by the U.S. delegation. The U.S. side then emphasized in their briefings with the media that a new conciliatory mood existed among the Chinese negotiators. Whether or not the

U.S. was spinning the talks is hard to say.

To be sure, the head of China's central bank, Zhou Xiaochuan, said that the two countries agreed that exchange rates should ultimately be market-determined. "The two sides have some views in common. They both think that exchange rates should be determined by a market system." (New York Times, May 4)

Zhou is in the right-wing reform camp, along with Premier Wen Jiabao, who has vowed to carry forward political and economic reform. But all these soft concessions can be pushed back by resistance from within the rest of the party, from the state enterprises, the state banks and the planning apparatus.

The concessionary attitude of the Chinese leaders, in spite of the political sabotage by Washington in the Chen case, cannot be separated from the victory over Bo Xilai and the massive campaign of political intimidation against the party grouping in China that wants to halt, if not reverse, the course toward further market reforms.

That is why the U.S. ruling class during these negotiations wanted to quickly take advantage of the political momentum to the right and get as many concessions as possible from the present leadership, before they retire and the tide turns against the new incursions of capital.

But all these leaders are looking over their shoulders. There is palpable anxiety among them that the attack on Bo could eventually backfire and openly pose the question of which direction China should take — further toward capitalism or back toward strengthening socialism. What they all dread is the day that the Chinese working class takes up the struggle to revive the political role of the working class in building socialism, as it existed during the era of Mao Zedong.

*May 12, 2012*

# How to deal with impending crisis

## Global economic slowdown and leadership struggle in China

The Chinese economy is slowing down as part of the global economic slowdown now engulfing the capitalist world. China is also suffering from internal capitalist contradictions of its own.

The leadership of the Communist Party of China is now confronted with a decision about how to deal with this slowdown. And this decision comes at the very moment that the “reform and open up” faction has just carried out a political purge of the forces in the CPC headed by Bo Xilai. Bo’s grouping had wanted to strengthen the state-owned, planning side of the economy as opposed to those who wanted to deepen reliance on the capitalist market.

The issues in the purge of Bo were stated bluntly by Premier Wen Jiabao. In a March 14 news conference, Wen blamed Bo for the “incident” in which Wang Lijun, former police chief of Chongqing, went to the U.S. Consulate in Chengdu where he is said to have made charges against Bo Xilai and showed documents to U.S. officials.

Wen made clear that he linked what he called “the Wang Lijun incident” to a broader agenda. Answering a question about Chongqing and Wang’s flight to the consulate, Wen said, “We’ve taken the major decision of conducting reform and opening up in China, a decision that’s crucial for China’s future and destiny.” (Washington Post, April 26)

But Wen and the “reform and open up” current of which he is the leader are now faced with a stark contradiction. Can a deeper reliance on the capitalist market and the further intervention of imperialist corporations reverse the current slowdown in China? Or will the leadership reverse its current course and strengthen planned state intervention by the state banks and

the state-owned enterprises to counteract the effects of capitalism in China?

### Global capitalist economic slowdown spreading

Right now the economy of India is slowing down, as is the Brazilian economy. This is the result of the slow growth of the U.S. and Japanese economies and the outright downturn in Europe. Given its partial integration with world capitalism, China cannot but be seriously affected by this development.

This sharply poses the question of what measures to take to protect the Chinese economy and the Chinese workers and peasants from the downturn. Will the leadership rely on the capitalist market, or will it pull back and strengthen state intervention and planning, plus give aid to the masses who will be affected by this slowdown, as the CPC did during the 2008-2009 crisis?

Of course, that crisis was far more acute and severe. Some 20 million manufacturing workers in the eastern provinces of Guangdong, Zhejiang and other export-oriented areas lost their jobs. The measures taken to counteract this crisis, brought on by world capitalism, were massive and effective in creating an equal number of jobs and raising the income of the population during the crisis. (See Part 2 of this series, “Capitalist crisis versus planning,” March 27.)

The New York Times of May 13 described the present slowdown: “China’s General Administration of Customs announced on Thursday that growth in imports had come to a virtual halt in April compared with a year earlier. The development was unexpected in an economy that depends heavily on imported raw materials as well as on imported computer chips, sophisticated facto-

ry tools and other high-end imports for its industrialization.

“China’s exports also grew half as fast as expected in April.

“Figures released on Friday by the National Bureau of Statistics in Beijing showed that industrial production, fixed-asset investment and retail sales in April all increased somewhat more slowly than expected. Separate figures from the central bank also showed weak growth in bank lending.

“China’s central bank has been working behind the scenes to make it easier for banks to lend, but so far that appears to be having little impact. New loans fell to 681 billion yuan in April, down from 1,010 billion yuan in March and their lowest level so far this year.”

He Weisheng, a China strategist at Citibank, said this reflected weak demand for loans rather than insufficient capital at banks. “The banks have the money to lend; the problem is that firms don’t see profitable opportunities to invest, so they don’t want to borrow.” (Wall Street Journal, May 11)

The People’s Bank of China — the central bank — is reacting to the crisis with bourgeois monetary methods similar to those of the Federal Reserve Board in the U.S. It is allowing the banks to have more money to loan to private capitalists. But they see no profit in any further investment and thus don’t want to borrow.

### ‘Reformers’ in charge after defeating Bo

Among the chief economic officials in China are Premier Wen Jiabao and Zhou Xiaochuan, head of the People’s Bank of China. Zhou is firmly in the camp of the “reform and open up” grouping. He told

U.S. Treasury Secretary Timothy Geithner during recent negotiations in Beijing that China should surrender to long-standing U.S. pressure to raise the value of its currency so that U.S. capitalist exporters could more easily penetrate the Chinese market and Chinese goods would be more expensive to sell abroad.

The May 3 New York Times quoted Zhou as saying: "The two sides have some views in common. They both think that exchange rates should be determined by a market system."

The article continued, "The official also praised recent Chinese policy changes to allow more foreign investment and liberalize markets, an outgrowth of closer talks."

Another key figure in making policy is Li Keqiang, who is scheduled to replace Wen Jiabao as premier.

The German newspaper Deutsche Welt explained in its online edition: "Chinese Vice Premier Li Keqiang commissioned the study 'China 2030' during a visit by [World Bank head] Robert Zoellick in 2010. Li oversees economic policies and appears to be the most promising candidate to run for office of prime minister in 2013. The main focus of the World Bank study is the state-owned enterprises, which have control over the energy sector, raw materials, telecommunications and the infrastructure. They dominate the public sector.

"The World Bank suggests implementing oversight of the state-owned companies by independent, outside managers will help.

The managers will ensure the companies are run in accordance with the rules of the market economy and thus become more politically independent. Redundant units should be sold off, which will greatly benefit private competition. In addition, Zoellick suggests China reduce restrictions and obstacles for private companies." ("The World Bank warns China of an upcoming crisis," [www.dw.de](http://www.dw.de), Feb. 29)

The fact that the highest "reform" officials in charge of the Chinese economy have temporarily won out in the struggle against the left forces within the party establishment — who want to limit the market, emphasize state investment and prioritize the fight against growing inequality — is a dangerous conjuncture of circumstances. This is the very moment when such an anti-capitalist approach is urgently needed.

### **Socialist state intervention the answer**

With the Chinese economy in an across-the-board slowdown in investment, retail sales, exports, imports, electrical energy output, construction and bank lending, and having to cope with a housing bubble, manipulating the capitalist market is a negative prescription for the economy and potentially spells hardship for the workers and peasants. Compared to the progressive, interventionist manner in which the Chinese government reacted to the 2008-2009 crisis — with massive planning, vigorous intervention by the state-owned enterpris-

es and raising the income of the lowest-income people — using bourgeois monetary methods to combat the slowdown would be a drastic step backwards.

Stimulating the economy with cheap credit for the capitalists or trying to promote recovery through tax breaks would only make a bad situation worse. Planned, socially useful investment that deals with the economic downturn by ensuring the well-being of the masses and helping national development is the best antidote to the downturn at the moment.

If anything, the developing downturn only vindicates the left forces, represented by Bo, who want to limit the market, emphasize state intervention and fight growing economic inequality.

Of course, what is needed in the long run is a full-scale return to the socialist road and the complete abandonment of the capitalist road disguised under the false label of "market socialism." The capitalist market and socialist society are totally at odds and cannot coexist indefinitely.

Hopefully, the left can take advantage of the present slowdown to regroup and point to the repetitive crises that are endemic to capitalism, both international and domestic. What is needed is to go on the political offensive against the right, begin to chart a course away from dependence on the capitalist market and reinstate socialist norms, including the empowerment of the workers and peasants.

*May 16, 2012*

## While supporting rightists & demanding concessions

# U.S. remains hostile to China

The capitalist government and the big business media in the U.S. have firmly and vociferously taken sides against Bo Xilai and any manifestation of leftist policy in China. These same media and government have also demanded economic and political concessions from the Chinese government.

But the Chinese leaders' massive campaign of suppression against Bo Xilai, the former Communist Party secretary of Chongqing; the recently negotiated permission for U.S. firms to own up to 49 percent of Chinese non-bank financial institutions; and the release to the U.S. of the counterrevolutionary lawyer Chen Guangcheng cannot diminish the underlying, profound hostility of the U.S. ruling class toward China.

The New York Times, the Wall Street Journal and the Washington Post, among other mouthpieces of big business and the State Department, have been working with traitorous bourgeois elements and anti-Bo bureaucrats inside the Chinese state security system and the government to spread reams of leaked and unsubstantiated hearsay against Bo Xilai, while at the same time crying out for the "rule of law."

It is reminiscent of the way the press works to frame up oppressed people in this country, especially revolutionaries like Mumia Abu-Jamal, and conduct trials by government leak and media slander. This is precisely the way in which CNN, NBC, CBS, ABC and other media are preparing the ground for freeing the cop-supported, racist vigilante George Zimmerman, who killed Trayvon Martin.

They are in close collaboration with the right wing in China, who desperately need to reduce the case of Bo to a criminal matter to conceal what it really is: a 21st-century version of the earlier two-line struggle between the left and the "capitalist roaders" over whether to take China further down

the capitalist road or to slow down reliance on the capitalist market in favor of state planning and state-owned enterprises.

If the Chinese leadership can reduce the matter to one of corruption or criminality, they do not have to deal with the progressive accomplishments of Bo in Chongqing, where he built massive low-cost housing for the workers, increased social spending in order to raise the masses' standard of living, paved the way for the peasantry to gain urban status and other benefits, and emphasized "red culture" in state-owned media and at public events.

The capitalist media in this country repeat every unverified rumor, accusation and lurid detail spread by "anonymous sources" and suspect individuals against Bo, as well as making up their own. These reports poison public opinion in the U.S. and the West. They then go back into China through the Chinese press and social media, reinforcing the campaign.

The Chinese government humiliated itself by freeing Chen Guangcheng into U.S. custody after the sightless lawyer was secreted into the U.S. Embassy via the most egregious CIA intervention. Chen is part of a network of Chinese counterrevolutionaries who used opposition to China's one-child policy as a lever in an anticommunist campaign. The affair was a total violation of Chinese sovereignty, which, in more militant days, would have called for national anti-U.S. demonstrations.

The Chinese government made this concession during negotiations with U.S. Secretary of State Hillary Rodham Clinton and Treasury Secretary Timothy Geithner in order to keep the talks from breaking down. During the negotiations the Chinese leaders also made concessions to Wall Street, while Geithner and Clinton stonewalled the Chinese on their requests to be allowed to

import crucial items of technology that are now banned by the Pentagon on "national security" grounds.

Whether Washington was angry because all its demands were not met, or whether the U.S. was trying to attack while the Chinese leadership was off balance with a major internal struggle, or both, the visit was immediately followed by escalation of the anti-China offensive.

### Times attacks leadership for 'corruption'

The New York Times opened up a front-page attack on not just Bo but the entire Chinese top leadership for alleged corruption, including President Hu Jintao, Premier Wen Jiabao and their children. This "newspaper of record" for the U.S. bourgeoisie then expanded its attack on the Communist Party of China itself.

Much was left unsaid in the charges. Most of the accusations amounted to the fact that children of the leaders were in charge of many state-owned enterprises and that they attended Western educational institutions.

Of course, any degree of nepotism, privilege or corruption that exists at the leadership level is an absolutely impermissible violation of socialist norms, and should be stamped out. That was the goal of the great Cultural Revolution initiated by Mao Zedong. It was the defeat of Mao and the left that led to the present regime, which adheres to the concept of "market socialism" invented by Deng Xiaoping. We doubt that the New York Times wants to revive the Cultural Revolution.

The capitalist press reach unparalleled heights of hypocrisy when they condemn the Communist Party of China's leadership for "corruption." These charges derive from the deepest hatred of the Chinese Revolu-

tion and all that is associated with it, including the CPC and the People's Liberation Army. The New York Times and the ruling class it speaks for — and it does speak for the ruling class in this case — would like to see the total destruction, not only of the party and the PLA, but of all remaining institutions of socialism established by the Chinese Revolution.

Furthermore, these charges have nothing to do with concern about corruption. The U.S. is the land of corruption. Frederick Engels noted back in the 19th century that corruption was one of the principal instruments of rule used by the U.S. capitalist class. The robber barons bought legislatures and got titles to lands for their railroads and mining companies — lands that had been expropriated from the Native peoples during genocidal campaigns.

Today Washington, D.C., is populated by more than 40,000 lobbyists whose occupation is to foster corruption among the legislators and other branches of the capitalist government. Every state capital in the U.S. is infected with a similar plague of corrupters.

Super PACs, empowered by the Supreme Court, now openly ply candidates with tens of millions of dollars. And these Super PACs are financed by billionaires seeking to corrupt their candidates.

### Tariffs on Chinese solar panels

Within days of the negotiations in China, the Commerce Department issued stinging tariffs of 31 percent on Chinese solar panels. China is the largest exporter of solar panels in the world. It has developed the technology to its highest state.

This tariff was levied by the Commerce Department on the grounds that China is a state economy and therefore its exports are unfairly subsidized. This ruling has been pending now for over a year, but it was levied right after the U.S.-China talks, in a stinging rebuke to the Chinese leadership.

The Chinese leaders appropriately reacted with fury and denounced the measures as protectionist. "China's exported solar panels have a relatively competitive price, mainly because of technical research and development work done by Chinese companies," said China Foreign Ministry spokesperson Hong Lei. "At the same time, China has im-

ported a lot of raw materials and production equipment from the U.S., and this has benefited the U.S. economy. ... This action by the U.S. has hurt cooperation between China and the U.S. in the renewable-energy sector, and hurt the U.S. itself. We hope the U.S. will appropriately resolve this issue." (Wall Street Journal, May 18)

The truth is that these tariffs will hurt the masses in the U.S. by drastically raising the cost of solar panels, just when the Obama administration is touting renewable energy and "a green economy." It will also lead to the loss of jobs here among the 100,000 workers who are presently employed in installing affordable Chinese solar panels.

### Pentagon attacks China's military

On the heels of the tariffs, the Pentagon issued a report denouncing China for building up its military and called it "the lead cyberattacker of U.S. computers." (Christian Science Monitor, May 12)

A New York Times article on May 19, quoting the Pentagon, said that China's "air force is 'transforming into a force capable of offshore offensive and defensive operations,' the report said, with prototypes of a stealth fighter seen starting last year. Other areas of investment include defenses against ballistic missiles, early warning and air-defense missiles, and their land and naval equivalents."

Excerpts from this report were made public just after the Chinese Minister of National Defense, Gen. Liang Guanglie, ended a meeting in Washington with Pentagon chief Leon Panetta.

In other words, the U.S. has a dual approach in its relations with China. It tries to gain economic and political concessions by carrying out negotiations on a government-to-government basis, and at the same time, it carries a big stick.

Left out of the Times report about China building up its military was that the U.S. has recently carried out so-called "joint military exercises" in the Philippines directed at China, at a time when the Philippines and China are engaged in a dispute over island territories in the South China Sea. "Joint military exercises" means U.S. military exercises. The Philippine government and military are hardly a threat to the Chinese military.

Marines are being rotated out of Iraq

and Afghanistan into Australia as part of the Obama administration's (read Pentagon's) "pivot" toward Asia and the Pacific region. This so-called pivot is in large part a soft military threat disguised as an alleged change in policy. In fact, the U.S. has been pivoting toward the Pacific since 1854, when Commodore Matthew C. Perry sent gunboats to "open up" Japan. The U.S. colonized and conquered Hawaii, Samoa and the Philippines and sent troops to put down the Boxer Rebellion in China toward the end of that century.

Washington has had the goal of conquering and ruling over the Pacific Basin for more than a century. The U.S. threw massive forces into the war against Japanese imperialism in the Pacific with a view to conquering China. The Chinese revolution of 1949 put an end to the Pentagon's strategic drive.

The U.S. then proceeded to try to isolate the Chinese Revolution, keeping it out of the United Nations for a quarter of a century, building up the Seventh Fleet to menace the Chinese People's Republic, and launching two wars, one in Korea, followed by one in Vietnam, both on China's borders.

The profound hostility of the U.S. ruling class to China and the Chinese Revolution has deep historic and material roots. Washington and Wall Street will be satisfied with nothing less than the complete recolonization of China, the destruction of the remaining pillars of socialism, and the untrammeled rule of capital over one-fifth of the human race who dwell there.

No concessions by the Chinese leadership will mitigate this hostility. The cause of this hostility lies precisely in the continued existence of the socialist sector of China. The Chinese leadership can protect China against irreversible incursions of imperialism, even on a nationalist basis, only by defending the state-owned enterprises. They are the foundation of its economic survival and the development of its military and the PLA.

In the long run, the only salvation for China is for the Chinese masses to retake the center stage of Chinese history. This is the surest guarantee of socialism in China and victory over capitalist counterrevolution and imperialism.

May 28, 2012

## Recalling Reagan's 1980s anti-Soviet strategy

# Pentagon shifts war fleet to Pacific

Days before the anniversary of the counterrevolutionary uprising in Tiananmen Square, U.S. Defense Secretary Leon Panetta announced that the Pentagon was planning to deploy 60 percent of its naval fleet to the Pacific region.

Panetta said that the current 50/50 balance of U.S. naval forces between the Pacific and the Atlantic would be “rebalanced” to a ratio of 60/40 in favor of deployment in the Pacific and East Asia. “Make no mistake — in a steady, deliberate and sustainable way — the United States military is rebalancing and brings enhanced capabilities to this vital region,” Panetta said. (New York Times, June 2)

This flagrantly aggressive imperialist declaration was made in Singapore at a summit of Asian defense ministers, military officials, military contractors and imperialist analysts. Panetta’s high-level delegation included the chairperson of the Joint Chiefs of Staff, Gen. Martin E. Dempsey; Adm. Samuel J. Locklear, head of the U.S. Pacific Command; and Deputy Secretary of State William J. Burns.

Panetta outlined some details of the shift. The renewed emphasis on the Pacific will involve six aircraft carriers and a majority of the Navy’s cruisers, destroyers, littoral (coastal) combat ships and submarines. These will be fortified by an increase in the number and size of military exercises in the Pacific and a greater number of port visits.

Among the specific new weapons Panetta mentioned were the advanced fifth-generation F-35 aircraft known as the Joint Strike Fighter, made by Lockheed Martin; the enhanced Virginia-class fast-attack submarine, made by General Dynamics, which can operate in shallow and deep waters; new electronic warfare and communications capabilities; and improved precision weapons.

Panetta, of course, denied emphatically that this new policy was a threat aimed at China. Yet many of the new weapons are openly described as aimed to counter the defensive weapons systems being developed

by the People’s Liberation Army. The new weapons specially designed for the greater distances in the Pacific include an aerial-refueling tanker, a bomber, and advanced maritime patrol and anti-submarine warfare aircraft, said Panetta.

Retired Army Gen. David Barno, a senior adviser at the Center for a New American Security, put things more bluntly. Barno said that Panetta’s announcement will “put real teeth” in the Obama administration’s new strategy. “China should and will take note,” Gen. Barno said. “The United States is and will remain a Pacific power, even more so in this century than in the last.” (Wall Street Journal, June 2)

### A deliberate public confrontation

Thus Washington and the Pentagon have made a decision to publicly declare a military confrontation with the People’s Republic of China. The so-called “rebalancing” is supposed to take place over a period of years, to be completed in 2020, according to Panetta. If the intention to make a drastic escalation of military pressure on China is going to be completed in eight years and is still in its earliest stages, why announce it so long in advance? Why now? Why announce it at all, for that matter?

One of the public reasons given for announcing it is to assure the governments of the Philippines, Vietnam, Indonesia, India and others that the U.S. will “protect” them from China’s growing strength. This is, of course, a complete lie, on many grounds. It is meant to cover up the aggressive designs by U.S. imperialism on the region, including the desire of Big Oil to lay hands on 213 billion barrels of oil in the South China Sea. It is also false propaganda, creating a threat that does not exist in order to fill the coffers of the military-industrial complex with endless contracts for new weaponry.

But even assuming that Washington wanted to reassure its puppets, its allies and

others, this could easily be done privately and/or bilaterally. Weapons agreements can be arranged. Low-level officials could issue a mere one-page press release or say nothing. They could sign international agreements in secret or with minimal publicity, as imperialists often do.

At a moment when relations between the U.S. and China are becoming increasingly tense in a number of specific areas, why make matters worse? But that is exactly what Panetta did.

Such a move seems counterintuitive. The U.S. financial establishment, the Treasury Department, the International Monetary Fund and the World Bank are trying to negotiate behind the scenes while pressuring the Chinese leadership to deepen capitalist reforms, to the point of threatening the socialist core that remains in China.

U.S. finance capital is trying to make inroads in the Chinese state banking system and to expand and invade the capital markets in China. The strategy of finance capital is designed to get rid of economic planning, undermine the state-owned enterprises, promote increased lending to private capitalists in China, widen the scope of imperialist investment and so on.

Why, at this critical moment, would they want to antagonize the Chinese leadership with military threats and subversive plots, such as the incident involving the recent removal of Chen Guangcheng to the U.S.?

### Reagan and the Soviet Union’s collapse

A clue to what is behind this strategy can be found by going over aspects of the collapse of the USSR and elements of the strategy of U.S. imperialism that preceded the collapse.

Of course, China today and the USSR in the 1980s are in completely different situations. Many overall comparisons do not apply. But there are crucial common elements.

And U.S. strategists, having gone through the historical experience of the collapse of the USSR, must surely be thinking of that experience as they approach the question of how to restore full-scale rule of capitalism in China.

In the early 1980s, the Reagan administration saw that the Soviet economy was in an increasing state of stagnation. Bourgeois elements — anti-communists such as Andrei Sakharov, Nathan Sharansky and other counterrevolutionaries — were growing stronger within the USSR. The Brezhnev era was coming to an end and leadership changes were in the wind that might be favorable to imperialism.

### **From 'Star Wars' to Gorbachev**

In 1982 Yuri Andropov, a reformer, took over the leadership in the Soviet Union after Leonid Brezhnev's 18 years at the helm. What was the Reagan administration's response to this move toward a Soviet leadership more conciliatory to imperialism? In March 1983, Reagan announced the Strategic Defense Initiative — soon called "Star Wars." From the point of view of military strategy, it posed an enormous threat to the USSR.

The premise was that through various new weapons systems, involving lasers as well as space-based antimissile systems, the U.S. was striving to create a system that could preemptively wipe out any Soviet military response to a U.S. attack.

Many critics said "Star Wars" was technically too complicated to succeed. Nevertheless, some pilot project preliminaries did succeed and the Soviet leadership was deeply concerned. Arms negotiations were arranged where the Soviet side urgently pressed Washington to abandon the plan. They showed how it would upset the military balance and that "Star Wars" violated prior treaties and agreements.

The Reagan administration refused to budge. It pressed ahead despite protests from the Soviet Union and also from sections of the U.S. ruling class which thought this aggressive stance was foolish, dangerous or both. After two years at the helm of the USSR, Andropov died. An older and clearly transitional leader, Konstantin Chernenko, replaced him and died in turn in 1985.

Mikhail Gorbachev then succeeded Chernenko. Gorbachev brought a generation of bourgeois reformers into the govern-

ment and opened up the door to bourgeois democracy and privatization. He broke the monopoly on foreign trade and tried to come to an international accommodation with U.S. imperialism.

In the late 1980s, Gorbachev virtually gave Washington permission to overthrow the governments of Eastern Europe without any response from the USSR. There would be no Soviet resistance such as in Hungary in 1956 and Czechoslovakia in 1968. Washington would have a free hand to push all the levers and activate its entire underground counterrevolutionary apparatus in Hungary, Romania, the German Democratic Republic and the other Eastern European countries.

The Gorbachev regime thought it could arrive at peaceful coexistence with U.S. imperialism and NATO by a craven accommodation at the expense of the masses of Eastern and Central Europe, who are now suffering under the nightmare of capitalism.

Margaret Thatcher publicly embraced Gorbachev during his trip to London in 1985. Reagan then embraced him publicly at a meeting in Reykjavik, Iceland, and later at Geneva. But through all the negotiations on arms control, Reagan would not give one inch on abandoning SDI.

Instead, Reagan promised Gorbachev that the U.S. would never "seek superiority" over the USSR if Star Wars succeeded. He even promised to share the technology with the Soviet Union if it succeeded.

In other words, Reagan relied on the illusions and false hopes of this right-wing revisionist, bordering on counterrevolutionary. Gorbachev thought the USSR could reach an accommodation with U.S. imperialism by making gratuitous and drastic concessions.

It was not only military pressure that the Reagan administration brought to bear on the USSR. That was just one part of what was called a "full court press": to spend the USSR into bankruptcy by driving it to respond to military threats; to drain it of resources for socialist construction; and to disrupt its economic planning processes.

In an article entitled "Full court press continues against USSR" in the Jan. 31, 1992, issue of Workers World, Pat Chin described varied aspects of the Reagan administration's campaign to destroy socialism in the USSR. She referred to information from an article by Sean Gervasi, entitled "West-

ern Intervention in the USSR," in the Winter 1991-92 issue of Covert Action Information Bulletin. (Both articles can be found online.)

### **U.S. strategy can boomerang**

To be sure, the Chinese leadership, regardless of political orientation, has shown no inclination to make territorial concessions on the same scale to U.S. imperialism. China was an oppressed nation for centuries and national consciousness is extremely widespread and intense throughout Chinese society.

But Panetta's speech reveals that U.S. imperialism calculates that if there is a wing of China's leadership that is prone to compromise and deepen pro-capitalist economic and political reforms, that wing is inherently conciliatory. And the way Washington deals with conciliatory elements is to bring greater pressure to bear on them, the way Reagan did on Andropov, Chernenko and later Gorbachev.

Panetta's pronouncement, in addition to being a military threat, constitutes political intervention in the internal struggle in China.

China is now confronting an economic slowdown caused by its own internal capitalist development and the spillover from the global capitalist crisis. Pro-capitalist reformers in China are urging a policy of strengthening the private sector as part of any stimulus package to combat a slowdown. These elements seem to have the political upper hand at the top leadership level for the moment.

As happened in the USSR, this shift to the right at the top comes at a crucial time of leadership change. The elements who want to strengthen the state-owned sector have suffered a temporary defeat with the ouster of Bo Xilai. Washington is pressing its military and subversive efforts openly in order to strengthen the more conciliatory elements. That is the lesson imperialism learned from the destruction of the USSR. That is the scenario they are following.

But these threats are bound to backfire. The more aggressive the U.S. imperialists become, the more likely they are to antagonize the anti-imperialist masses of China and the People's Liberation Army. In the long run, such arrogant military threats could provoke a profound response that could open up a mass political struggle against the entire course of the capitalist roaders in China.

*June 10, 2012*

# A spectacle directed at the left as world capitalist crisis deepens

## The Gu Kailai trial & the struggle in China

**G**u Kailai's trial and conviction for the alleged murder of British businessperson Neil Heywood is a show trial staged by the top leadership of the Communist Party of China for purely political purposes.

Whatever Gu may or may not be guilty of, the trial is a judicial procedure meant to support a political attack on her spouse, Bo Xilai, and his supporters in China who want to push back against the reckless further advance down the capitalist road by the present Chinese leadership. These are the underlying issues at stake.

The timing and political context of the trial are extremely important. It comes at a moment when the selection of the new top CPC leadership for the next 10 years is scheduled to take place — presumably this fall at the annual meeting of the National People's Congress. This process has been discussed internally for the past year.

Bo Xilai, Gu's spouse, had held the important post of Party Secretary of the municipal province of Chongqing, population 32 million, since 2007. Bo was on the 25-member Politburo of the Chinese Communist Party and was a strong candidate to be promoted to the seven-member Standing Committee of the Politburo, which is the governing council of China.

### Bo and Mao

Bo, while never opposing the fundamental concept of so-called "market socialism," became the de facto leader of the left within the CPC when he developed the "Chongqing model."

In Chongqing, Bo promoted increased state investment and planning, especially emphasizing infrastructure and massive low-cost housing for the workers, as well as social programs. He made it easier for peasants to gain access to benefits available to urban residents.

Bo waged a hard campaign against corrupt party officials, business people and the underworld, often interconnected, and called upon the masses to assist in identifying corrupt officials.

He promoted Maoist culture in the province, organizing the singing of Maoist songs, tweeting Maoist sayings to state workers, stopping the use of state television for commercial use and substituting socially conscious broadcasting. Maoist-inspired songs were an integral part of the Cultural Revolution, and Bo brought a choir of 1,000 singers to perform in Beijing.

Bo was purged after the former police chief of Chongqing, Wang Lijun, went to the U.S. Consulate (read CIA station) in Chengdu in Sichuan province, 210 miles east of Chongqing, on Feb. 6 and stayed for 30 hours. During that time Wang is alleged to have brought evidence against Gu Kailai.

Bo had been under investigation by the party leadership at the time. Once the Gu Kailai charges were made, Bo was removed as leader of Chongqing in March and then removed from all party posts in April. He has been under detention for alleged and unspecified "serious discipline violations" since then and has been held incommunicado.

### CPC leaders and imperialists press vilification campaign

With Bo in detention, both the Chinese and the imperialist media launched a campaign of vilification against both Bo and Gu. The timing of the trial of Gu is significant. The advance leak of the leadership's version of the details was calculated to poison the political atmosphere against Bo, and thus pave the way for punitive measures against him.

With regard to the trial of Gu itself, it is important to note that every bit of information available on the case is in the hands of a leadership which is politically hostile, in the

extreme, to her spouse. The pre-trial conviction of Gu and the simultaneous campaign against her and Bo in the official Chinese media as well as the Wall Street Journal, the New York Times, the London Guardian, the Financial Times, etc., reflected a coincidence of interest between the capitalist-road, market-reform sectors of the Chinese leadership and world imperialism.

The two sides were in league in this case, despite the fundamental hostility of U.S. imperialism to socialist China. It is laughable to think that the imperialist forces are really concerned about murder and corruption.

### Leaders fear Bo supporters and the left

The circumstances of the trial are also important. It was moved from Chongqing, where the alleged crime took place, to a site 750 miles away in Hefei province. The authorities fear the popularity of Bo among the masses in Chongqing. Moving the trial is a virtual confession of its political nature and the leadership's fear of the left. The most important Maoist web site in China, Utopia, has been shut down, and other web entries defending Bo have been censored.

There were many apparent inconsistencies in the trial. It is important to note that Gu was not allowed her own lawyer. Her son, whose role was key to the case, submitted a letter to the court, which was not allowed to be heard. In a political struggle of this magnitude, confessions can be obtained, evidence can be fabricated, and frameups can be planned.

But whatever the true facts of the case turn out to be, this trial is part of the struggle over China's future at a time of growing economic and social contradictions. Promoting private enterprise, capitalist exploitation, imperialist investment and the growth of the capitalist market to compete with socialist

planning and state-owned enterprises leads to an untenable future for China.

### **World capitalism and 'market socialism' at a dead end**

This is all the more so since the world capitalist system is at a dead end, with permanent low-growth, stagnation, crisis and growing mass unemployment.

The more developed the capitalist side of the Chinese economy becomes, the more integrated with and dependent upon the world capitalist economy it becomes, the more vulnerable it will be to all the irrationalities of the world system of private property.

China counteracted the effects of the global capitalist crisis in 2008-2009, when 20 million Chinese workers in the export-driven manufacturing industry in the eastern provinces were laid off, by turning to socialist measures. It implemented state plans and made massive state investments in infrastructure.

In this way China managed to replace 20 million jobs and also raised workers' income by state spending on benefits.

### **Chickens come home to roost**

But the world capitalist crisis remains. And the problems of the capitalist market economy remain along with it. With the downturn in Europe and elsewhere around

the globe, layoffs are already taking place once again in China. The ruling-class press and the Chinese media talk about "overcapacity" in steel and other basic materials. But a crisis of "overcapacity" is really generated by capitalism and applies to production for profit under capitalism.

If the Chinese leadership has "overinvested" in steel to keep employment up, it is because their investment strategy is being determined by the capitalist market and not by the social and economic needs of the population. If there is growing unemployment and a dangerous real estate bubble, which the leaders are trying to manage by bourgeois monetary methods, it is *de facto* evidence of the failure of the capitalist-road strategy. And if they are stockpiling coal and steel, it is because the profit side of the Chinese economy is faltering under the twin blows of its own internal contradictions and the world capitalist crisis.

Each setback for the workers and peasants in what was supposed to become a socialist economy gives more evidence of the bankruptcy of trying to fit a continuous, upward development of capitalism into a socialist framework. As has been said: "It is like trying to put a saddle on a cow."

This is the framework in which the trial of Gu Kailai must be viewed and evaluated. This is the prism through which the struggle

against Bo Xilai must be seen.

The CPC leadership, since the defeat of the left and the rise of Deng Xiaoping and the capitalist-road wing of the party, has sold the socialist soul of the great Chinese Revolution of 1949 under the name of national development. Each year they are endangering more and more of what remains of the socialist structure of China.

Now the chickens are coming home to roost in a mountain of internal contradictions and increased suffering and instability for the workers, who are supposed to be the foundation of socialism and whose well-being is supposed to be the aim of socialism.

It has become evident that what was first advertised by the proponents of so-called "market socialism" as a clever device to build up the productive forces, so as to strengthen the material foundation of socialism, has become a permanent retreat from the real building of socialism.

World capitalism is at a dead end. Fraudulent Chinese so-called "market socialism" can only be dragged down by the undertow of this crisis, with the danger that it will all end up in the depths of capitalist chaos and full-scale counterrevolution.

*August 15, 2012*

# Behind the expulsion of Bo Xilai

The leadership of the Communist Party of China has expelled former Politburo member Bo Xilai from the party, removed him from his position in the National Assembly and is preparing criminal charges against him.

This is another major step in what has all the earmarks of an authoritarian, bureaucratic frameup by a fearful party establishment trying to silence and suppress the leader of a left current in the party, a current that seeks to slow down China's march along the capitalist road. This explosion has grave consequences for China.

Bo was the party secretary for the municipal province of Chongqing in central China and was known for his progressive politics. He led a campaign to revive Maoist culture, including texting Maoist sayings to state employees, organizing the singing of Maoist songs dating to the Cultural Revolution and openly trying to revive the socialist spirit.

Chongqing province has 32 million people, including 10 million workers. As head of the province, Bo emphasized state enterprises in the economy and built massive low-income, high-quality housing for workers. He made it easier for peasants and rural residents to get urban status. He was in a polemic against party leaders who said that development should come before social and economic justice. He cracked down on corrupt local and party officials and businesses. He threw businesspeople in jail for corruption.

And, above all, he invited the masses to participate in unmasking corruption.

While he invited transnational corporations into Chongqing to develop industry, Bo antagonized local capitalists, the so-called small-and-medium enterprises (SMEs), with his policy to restrict state bank loans to SMEs in favor of loans to state enterprises. He further antagonized both the central authorities and the local bourgeoisie by banning commercial advertising on

Chongqing television. He replaced commercial programming with "Red culture."

In short, the rise of Bo was the first pronounced expression to surface inside the Chinese party leadership of opposition to rampant inequality and the seemingly unrestrained growth of capitalist development in China, which has been carried out under the false banner of so-called "market socialism" or "socialism with Chinese characteristics."

The monumental campaign of demonization of Bo and his spouse Gu Kailai (see WW, Aug. 23) is aimed at concealing the profound political and ideological rift in the country. Two factors have converged to deepen this rift: The world capitalist crisis is flooding into China at the same time that the CPC is expected to install new leaders in line with its usual 10-year transition.

## Why the political crisis?

It is a tenet of Marxism that beneath any great political struggle lies the class struggle.

Insofar as Bo and his program of reviving the socialist spirit, fighting inequality and combatting the untrammelled rule of the market represents the general interests of the workers and the peasants, within the framework of the present Chinese model, his persecution is a reflection of the class struggle in China.

In justifying Bo's expulsion, the CPC leadership has conjured up charges of corruption and other unspecified "serious violations," including "massive bribery," "sexual misconduct" and unspecified "other crimes."

The one charge not leveled against Bo — the one that all China and the entire world bourgeoisie know to be true on the basis not of hearsay but of incontestable, publicly known facts — is that he developed the "Chongqing model." This was done in opposition to the capitalist-road leaders in Beijing, from gradualists of the Hu Jintao variety (the outgoing party secretary and president) to more aggressive capitalist re-

formers like Wen Jiabao (the outgoing premier). Bo's politics were popular among the workers and peasants of Chongqing, and his reputation for fighting inequality and corruption was spreading throughout China.

Bo's case has been referred to as China's greatest political crisis since the 1989 counterrevolutionary rebellion at Tiananmen Square. But if Bo's case is merely a matter of corruption and misdeeds alone, then why should it cause a political crisis that has thrown the leadership into a panic? Corruption is a straightforward issue. If corruption, bribery and misdeeds have been uncovered on the magnitude alleged in Bo's case, that should hardly be a matter of venomous dispute or take many months to resolve.

If in the year 2012 Bo has been unmasked as corrupt beyond measure, an outright rogue, then how to explain that from 1990 on he became mayor of the important city of Dalian (capital of Liaoning province), was then promoted to provincial governor, soon took on the nationally and internationally important post of China's Minister of Commerce, was appointed to the 25-member Politburo of the party, and became party secretary of the key province of Chongqing?

How was it that Bo managed to escape detection by the party's extensive investigative apparatus until the moment when the leadership struggle in China was about to come to a head and the issues involved in the future course of China's economic regime had become a matter of bitter contention?

The public should take into account a statement by Bo Guagua, Bo's son, a graduate of Harvard's Kennedy School with a masters in public administration. The Wall Street Journal wrote about it on Sept. 30:

"Personally, it is hard for me to believe the allegations that were announced against my father, because they contradict everything I have come to know about him throughout my life," Bo Guagua, who is 24

years old, said in a statement on a Tumblr microblog account dated Saturday.

"Although the policies my father enacted are open to debate, the father I know is upright in his beliefs and devoted to duty," he said in an apparent reference to Mr. Bo's controversial policies as party chief of the city of Chongqing, which included a Maoist revival movement. ...

"The statement continued: 'He has always taught me to be my own person and to have concern for causes greater than ourselves. I have tried to follow his advice."

### Gu Kailai evidence questioned

As the frameup of Bo proceeds, questions are being raised in China about the frameup of his spouse, Gu Kailai, who was sentenced to a commuted death sentence in August for the alleged murder of British businessperson Neil Heywood.

The Wall Street Journal wrote on Sept. 29 that one of China's top forensic experts, Wang Xuemei, cast doubt on Beijing's "carefully scripted version of events." She said that the prosecution did not produce any evidence showing that Heywood was killed by cyanide poisoning, the basis for Gu's murder conviction.

Wang is a forensic expert in the Supreme People's Procuratorate, the country's top body for investigation and prosecution. Wang posted an essay on the matter on her blog. The essay was removed; she doesn't know by whom or how. She has been praised nationally for her work.

Wang said, according to the Journal, that information at the trial "didn't include a description of what she said should have been an immediate and extreme health reaction" after being poisoned by cyanide. "After cyanide was poured into Heywood's mouth," she said, "he didn't suffer any corresponding reaction from cyanide poisoning."

The Journal also wrote that the "growing skepticism by prominent Chinese figures and Mr. Heywood's friends over inconsistencies, ambiguities and omissions in the prosecution's official narrative could undermine authorities' credibility in handling the

case ahead of the country's sensitive once-a-decade leadership transition ... legal experts and political analysts say."

The authorities cremated Heywood's body after three days without performing an autopsy, claiming at the time that Heywood died of excessive consumption of alcohol. But prosecutors at the trial alleged that Gu had lured Heywood to a hotel room in Chongqing and killed him because she was afraid he would harm her son, Guagua, who they said owed Heywood money. Her fears, they said, were partly based on the claim that Heywood had forcibly "detained" her son.

There are several problems with the government's version. First, Heywood's close friends reportedly say he did not drink. They were so disturbed by this version that they raised it with the British Embassy. (Wall Street Journal, March 27) Why would Heywood go into a room with a powerful person with whom he has an antagonistic business relationship and get drunk when he did not drink? Furthermore, "several friends of Mr. Heywood have disputed that, saying that Mr. Heywood's relations with Bo Guagua appeared to be good right up until his death, and pointing out that at the time of the alleged detention, Mr. Heywood was in China and Bo Guagua was studying in the U.S." (Wall Street Journal, Sept. 30)

More could be said about the frameup of Gu. Heywood himself worked with the firm Haklyut, Inc., an industrial spy agency in China formed by former British spies working for MI6. The "evidence" against Gu was handed over to the U.S. Consulate (CIA station) in Chengdu by a top Chongqing police official, Wang Lijun, who was under investigation for corruption by the central authorities. Corruption can carry a death sentence. During the events the U.S. was working closely with British diplomats on the case.

Clearly, U.S. and British imperialism had a common interest with the Chinese leadership in stopping the political rise of Bo Xilai. The case against Gu was the opening shot in the struggle to undermine Bo politically.

### 'Rule of law' and persecution of Bo

After Bo's expulsion Xinhua carried a widely circulated release entitled "Cadre, citizens uphold CPC's Bo decision." In the release they cite the praise and testimony of various individuals — a student, a party cadre, a model worker, the Standing Committee of the Chongqing Municipal Committee, etc. All are said to have praised the "rule of law" and the "farsightedness of the CPC Central Committee as well as its superb handling ability to deal with complicated situations."

But bear in mind that Bo has been in custody, held incommunicado since April. He has not been allowed to issue one word in public. The nature of any proceedings against him have not been divulged. Have the requisite party procedures been followed? Has he had an internal trial? What was his testimony? Who acted in his defense?

None of these questions has been answered in public. And none of the individuals and groups who were cited by Xinhua and the party has any objective knowledge whatsoever about the so-called "ability" or "farsightedness" of the Central Committee. Bo's political enemies at the top of the party are in complete control of every shred of public information about the case. They are free to manufacture whatever charges they want to hurl without any contradiction or opposition. They have shut down every website that defends Bo. Where are the champions of the "rule of law" now?

This crude frameup is taking place when the stakes are extremely high. There is a struggle about whether or not to deepen the capitalist measures in China in response to the economic crisis. The capitalist crisis has magnified the crisis of China's leadership and of the working class as the growth of production slows, inventories pile up, unemployment threatens — and the bitter fruit of opening up wide to capitalism is harvested.

October 3, 2012

# Specter of Mao haunts Beijing

## More on political meaning of Bo Xilai's suppression

In this series of articles, which began in March, it has been our contention that the vilification, slander, character assassination and criminal charges against Bo Xilai and his spouse, Gu Kailai, have been a smokescreen put up by the current leadership of the Communist Party of China to conceal an intense political struggle and suppress an emerging left force within the party.

Joining in this campaign, even leading it at times, have been the imperialist media. They have worked in concert with the CPC leadership to circulate every rumor, every unsubstantiated accusation against Bo and Gu to a global audience and back to China. This so-called "free press" without hesitation gave its verdict of "guilty as charged," despite the fact that neither Bo nor Gu has had any opportunity to state their cases to China and the world, nor has the government produced any credible evidence subject to open, adversarial examination.

It is therefore ironic that the Oct. 16 issue of Time magazine unintentionally gave weighty evidence about the true political character of the struggle. In a scurrilous, gloating anti-China article, it points out that in "the Chinese Communist Party's flagship magazine," called Seeking Truth, "an article appeared entitled 'Sparing No Effort to Push Forward Reform and Opening Up.' This is the last issue before the Nov. 8 conference of the Party Congress."

The title of this key article confirms the theme pounded for months now by the right wing in China and by the imperialist media. Of course, a document title does not mean the program can be carried out. There may be strong resistance, from above and below, to opening up further to imperialism and to promoting capitalist political forms that would give a greater opening to both China's capitalist class and the world bourgeoisie.

### Significant omission of Mao

But, even more important, Time cheerfully points out the conspicuous omission

of Mao Zedong from an enumeration of the theoretical leadership of the party. This is the first time that the architect of the Chinese Revolution has been omitted in this manner. It is so scandalous that the leadership may have to pull back in the future.

According to Time's translation, the relevant part of the Chinese article reads: "We should adjust ourselves to the recent domestic and overseas changes, satisfy the expectations of the masses, strengthen our confidence, uphold the guidance of Deng Xiaoping Theory and Three Represents, implement the scientific development outlook, further deepen our understanding of the regular patterns of socialism, the rule of the Communist Party and human society's development."

Deng Xiaoping Theory pronounced that "to get rich is glorious" and "development is ironclad truth." It gave pragmatic justification for the rightist line: "Whether a cat is a white cat or a black cat, if it catches mice it is a good cat." In other words, if capitalism can develop the productive forces, then that is all that counts.

The Three Represents is a line developed by Jiang Zemin, who followed Deng. It put serving "the development of the productive forces" above everything and called for the party to serve "all the people," meaning not just the workers and peasants but the capitalists, too. Jiang took the dangerous leap of opening the doors of the Communist Party to capitalists.

The theory of "scientific development" is associated with outgoing President Hu Jintao. It is supposed to deal with the growing class and social antagonisms and mass outbursts that exploded at the end of the Jiang period. It is aimed at curbing inequalities and creating a so-called "harmonious society" in which the antagonisms between capital and labor will be balanced and reconciled.

However, capitalism cannot exist without generating class and social antagonisms, inequality and corruption. At last count, China had 180,000 "mass incidents" in

2011, according to official statistics. These were protests against low wages, harsh conditions, land seizures and other oppressive inequities flowing from the expanding inroads of capitalism and the dramatic erosion of socialist institutions, along with assaults on the socialist spirit accompanying the torrent of pro-market ideology.

If the Time translation is accurate, it speaks volumes about the nature of the struggle. Previous enumerations of the ideological foundations of Chinese socialism have always begun with "Marxism-Leninism ideology" and "Mao Zedong thought."

On March 14, the day before Bo Xilai was suspended as Chongqing party leader, outgoing Premier Wen Jiabao called for reform and denounced the Cultural Revolution.

Business Week of April 4 reported on Wen's "remarkable and likely last press conference, at the closing of the National People's Congress last month. With an intensity of bearing suggesting he meant business, Wen launched into a spirited defense of the necessity of China's continued economic reform, hearkening back to the Third Plenum of the 11th CPC Committee, a crucial meeting that launched the country on its modern-day path toward opening. More surprisingly, the 69-year-old premier also touted the need for political reforms, saying they must go hand in hand with economic ones — although he did not specify what those political reforms should entail.

"But what really caught observers' attention: Wen raised the topic of the decade-long tragedy of China's Cultural Revolution, long a taboo subject, and warned its excesses could return.

"Reforms have reached a critical stage," said Wen. "Without the success of political reforms, economic reforms cannot be carried out. The results of what we have achieved may be lost. A historical tragedy like the Cultural Revolution may occur again. Each party member and cadre should feel a sense of urgency," said the premier."

## Issue of socialism in China

A detailed exposition of Bo Xilai's record that further reveals the true character of the struggle has appeared in an essay entitled "The Struggle for Socialism in China: The Bo Xilai Saga and Beyond." Written by Yuezhi Zhao, Canada Research Chair in Political Economy of Global Communications at Simon Fraser University in Vancouver, this contribution, so valuable for an English-speaking audience, was published in the October 2012 issue of *Monthly Review*.

The author opens by showing that the struggle has been framed by many as between the "Chongqing Model" and the "Guangdong Model." In Chongqing, Bo had fostered state enterprise, fought inequality and promoted "red culture," while in Guangdong intense exploitation, deep inequality and the ideology of the capitalist market have become dominant.

Zhao then broadens the discussion: "On the one hand, an extraordinary alliance of Anglo-American capitalist media and right-wing Chinese language media and bloggers have portrayed Bo as being corrupt, dangerous, opportunistic, and cynical. On the other hand, some on the left would question the very notion of socialism in China to begin with. The struggle for socialism in China has been virtually absent from the great mélange of news coverage and commentaries on the case so far.

"Nevertheless, this struggle constitutes the most crucial part of the story. The intriguing and complex communicative politics around the Bo saga is highly symptomatic of ongoing domestic and international battles over the future of China. The underlying drama, therefore, is larger than Bo, and larger even than the Chongqing Model."

Zhao shines light on what's behind the struggle against Bo, citing a speech he gave in 2011 on "common prosperity" in which he said: "The polarization of rich and poor is the backward culture of slave owners, feudal lords and capitalists, while common prosperity is the people's just and advanced culture. The Western culture from the British bourgeois revolution in 1640 has had a history of more than 370 years. They often championed the slogans of 'freedom, democracy, equality, and fraternity.' However, they have never mentioned 'common prosperity' — a

topic that concerns the fundamental interests of the vast majority of humanity.

"Only the communists, with their down-to-earth materialist courage and selfless spirit, write 'common prosperity' on their own flag. As comrade Hu Jintao proclaimed at the CCP's 90th anniversary conference, we must steadfastly pursue the path of common prosperity! We firmly believe, sooner or later, the whole humanity will take on the road of common prosperity."

According to Zhao, Bo built up state enterprises in Chongqing after he took over in 2007 and used them to improve the lives of the masses. He "took aggressive steps in bridging the urban-rural gap, enabling as many as 3.22 million rural migrants to settle in the city with urban citizenship entitlements in employment, retirement pensions, public rental housing, children's education and health care. Beginning in 2009, under a program known as 10 Points on People's Livelihood, Chongqing spent more than half of all government expenditures on improving public welfare, particularly the livelihoods of workers and farmers."

Where Deng Xiaoping said, "Development is ironclad truth," Bo said, "People's livelihood is ironclad truth."

### Specter of Mao haunts Beijing

Zhao says that Bo launched a genuine campaign against corruption "aimed at the intertwined forces of party-state officials, private businesses and criminals," which "decidedly manifested left-leaning class politics." The campaign solicited reports of criminal activity from the masses and contained a "Maoist 'mass participation' and revolutionary justice dimension."

In 2008 Bo initiated the "three institutions," which Zhao describes as follows: "First, the head of a village or urban community CCP Committee must receive public visits for half a day each week to hear public concerns. Second, members of the village or urban community CCP Committee must make two visits to rural or urban households to solicit opinions on government policies and address issues and concerns; third, open lines of communication between the Party Secretary and the public must be established through opinion boxes, emails, and telephone hotlines; feedback must be provided

within a given time frame."

In 2009 Bo followed this up with "three going intos and the three togethernesses," which compelled officials to "eat together, live together, and work together with the peasants for extended periods."

In 2008, Bo launched the Singing Red campaign — shorthand for a variety of communications practices "aimed at promoting socialist values and uplifting public morality." In addition to singing revolutionary songs, the campaign included reading revolutionary tales, classics, emails and other communications. Zhao points out that the practice among the masses of singing revolutionary songs existed as a means of spiritually combating capitalist ideology even before Bo adopted it.

A key element in the struggle was the nationally televised satellite channel CQTV. Bo stopped commercial broadcasting on the channel, turned it into a public-interest channel, used it to broadcast "red culture" and established a news program entitled "People's Livelihoods" and a weekly "Public Forum on Common Prosperity," devoted to reducing the "three divides" between rich and poor, urban and rural, and coastal and regional. The channel gave a platform to anti-neoliberal academics and others around the country to challenge the dominant market-oriented television.

One of the first acts after Bo's ouster was to restore commercial programming on CQTV.

Zhao's essay has no illusions about Bo and his politics. She shows that he promoted investment by transnational corporations in Chongqing. She points out that there were many left critics of the Chongqing model. And she states flatly: "Bo is certainly no resurrected Mao. But this has certainly not prevented the New York Times, along with its oligopolistic Anglo-American media competitors, from aggressively joining the transnational feeding frenzy that hastened Bo's downfall."

On the other hand, Zhao shows that the possibility of promoting the Chongqing model on a national level was a "key step toward a left turn of the CCP."

"Bo posed a challenge to the ideological legitimacy of the CCP central leadership and its succession plan. He threatened to split the CCP by exposing the profound

contradictions of ‘socialism with Chinese characteristics.’ Moreover, what he did in Chongqing undermined vested interests in China’s transnationalized bureaucratic capitalist social formation — even though he had been an integral part of it.”

Zhao ends on a hopeful note: “Instead of tarnishing and even burying the cause of socialism once more in China, the ending of the Bo saga may open up other new avenues to the Chinese struggle for socialism, for which popular control of the Chinese po-

litical economy will be a defining feature.” Of course, such a perspective looks forward to a revival of the struggle to restore revolutionary socialism in China.

October 26, 2012

NOVEMBER 2, 2012

**Part 13**

## In guise of exposing corruption, New York Times aims blow at China

The New York Times has committed an act of journalistic aggression against China. On Oct. 25, it splashed across the top of the front page a three-column article, complete with color photos, claiming that relatives of Wen Jiabao have gotten extremely rich because of their relationship to the outgoing Chinese premier.

This blast of exposure comes just days before the opening of the Communist Party Congress, which is to preside over a once-in-a-decade change in the top party leadership.

The Times claims that the article, which supposedly documents the collective amassing of \$2.7 billion by Wen’s relatives, has been worked on for a year and that now the story is “ready to go.”

There has been much speculation as to the motives of the Times, particularly whether the article was politically motivated on behalf of one faction or another in the Chinese leadership. Only subsequent information can reveal anything about such speculation.

It is ironic that the Times is trying to undermine Wen, who has been the most prominent of those in China’s top leadership promoting “reform and opening up.” Wen is also the harshest enemy of Bo Xilai, because Bo was trying to slow down the march along the capitalist road, promote the welfare of the workers and the peasants, and revive the socialist spirit and the culture of Mao Zedong. Wen denounced Bo and warned of a possible return to the Cultural Revolution.

The fact that the Times opened up an attack on Wen could also signify that it is trying to ally with forces further to the right

than he — those who want to use the campaign against corruption to push further toward introducing capitalist political parties in China.

At this point speculation must be put aside and the world must await further clarification concerning this attack. But one thing stands out about the timing of the article and the prominence given to it, regardless of its accuracy: It is a flagrant act of imperialist intervention in the political process in China at a critical moment.

What also stands out is that it is the height of hypocrisy for the Times — a mouthpiece of U.S. capitalism and imperialism, which is the font of corruption at home and abroad on a monumental scale — to expose corruption in China. Washington, the State Department, the military-industrial complex, the CIA, the giant monopolies and banks — all bribe and corrupt officials at home and abroad in the quest for contracts, policy changes, special laws favoring corporations, arms sales, etc.

This is a case of a thief crying thief. And the last thing the workers and peasants of China need is for the corporate predators behind the New York Times to stand as a watchdog over the virtue of their country.

### Capitalism breeds corruption in China

It is widely known both inside and outside China that ever since Deng Xiaoping opened up the door to capitalism and imperialist corporate penetration, under the slogan “socialism with Chinese characteristics” or so-called “market socialism,” the acquisi-

tive bourgeois spirit has spread throughout China among sections of officialdom and the Communist Party.

The practice of using party or government positions for personal gain is prevalent, from the local to the highest levels. This has bred cynicism and alienation and gone a long way to erode the socialist spirit that prevailed in China until the death of Mao.

Demonstrations against various forms of corruption or the results of corruption have spread throughout China — especially demonstrations against government officials making land deals with developers at the expense of the peasants.

Under Deng and his successors, capitalist market relations were elevated to become the principal means of stimulating economic development. Socialist social relations were sacrificed to market-driven development of the productive forces in the name of “modernization.” Even the great state-owned enterprises and state economic planning exist within the framework of capitalist market mechanisms.

Legitimizing capitalism, exploitation and profit-seeking leads inevitably to corruption.

### Want to root out corruption? Return to socialist road

The road to rooting out corruption in China lies along the path of restoring the early socialist traditions of the Chinese Revolution. This is hardly a prescription the New York Times would advocate.

During the early period of the Chinese

Revolution, and especially during the Cultural Revolution, whatever its excesses may have been, the quest for personal wealth was frowned upon, and the collectivist, egalitarian, anti-bureaucratic spirit animated the Maoist sections of the party and had a great following among the masses.

During the Cultural Revolution, the Paris Commune model was revived with the direct leadership of the masses in politics and administration. Government officials were subject to recall. Salaries were limited. Party members and officials were to participate in the life of the masses. The workers were empowered politically, while the peasants had been organized into communes early in the revolution.

With regard to corruption, Russian revolutionary leader V.I. Lenin in 1917 followed the Paris Commune model. No party member, no matter his or her status, could

receive a salary higher than that of the highest-paid worker. It was called the law of the maximum. It was later removed by Stalin. Under Lenin limited privileges were granted to experts on a provisional basis, until such time as the workers could develop sufficient expertise on their own. This was also later reversed.

For years moderate and right-wing elements within the CPC have used the argument that “modernization” requires having capitalists and capitalism, with all its “efficiencies” and expertise. But they were held in check by Mao and the forces around him on the left.

This argument is a rationalization for allowing the rise of privileged elements. The workers and peasants can achieve miracles of modernization and socialist construction if they are given the opportunity. That would put China in a much stronger posi-

tion vis-a-vis capitalist restoration, counterrevolution and imperialism. This subject requires much more extended analysis at a future time.

But for now, suffice it to say that the New York Times is the greatest champion of further capitalist reform and further imperialist penetration in China. The last thing it would want to see is a mass campaign to restore the socialist spirit in China, with the empowerment of the workers and peasants, which is the true way to root out corruption at all levels.

This gratuitous blast against corruption involving Wen Jiabao, even if every word is true, is carried out in the service of undermining China's socialist heritage and promoting the further development of capitalism.

November 2, 2012

MARCH 11, 2013

Part 14

## New Chinese leader denounces Gorbachev

### But Xi continues dangerous policy of market 'economic reform'

The new head of the Chinese Communist Party and president of the People's Republic of China, Xi Jinping, is reported to have made a private speech to party leaders during a recent trip to southern China. In it, he denounced Mikhail Gorbachev, the Soviet leader who opened the door to the counterrevolution and the collapse of the Soviet Union. Xi reportedly pledged never to follow that road.

This speech, which has not been published in English, caused deep disappointment in imperialist circles. While it has been acknowledged in a front-page article of the New York Times and referred to in Businessweek and other capitalist publications, the ruling class is being relatively quiet about it, trying to remain optimistic about the prospects for deepening bourgeois political reform in China.

“Deepening political reform” is a code phrase for opening up the political process

for bourgeois or petit-bourgeois political groupings, either outside or inside the Chinese Communist Party, that want to restore capitalism and break up the CCP. To the imperialists, gaining capitalist political power is even more important than market reforms, because it would lay the basis for destroying the foundations of the Chinese Revolution.

#### **Xi on collapse of USSR**

Reporting on Xi's speech, the New York Times of Feb. 14 said: “Despite decades of heady growth, Mr. Xi told party insiders during a visit to Guangdong Province in December, China must still heed the ‘deeply profound’ lessons of the former Soviet Union, where political rot, ideological heresy and military disloyalty brought down the governing party. In a province famed for its frenetic capitalism, he demanded a return to traditional Leninist discipline.”

It quoted from a summary of his remarks reportedly circulated among party officials: “Why did the Soviet Union disintegrate? Why did the Soviet Communist Party collapse? An important reason was that their ideals and convictions wavered. ...

“Finally, all it took was one quiet word from Gorbachev to declare the dissolution of the Soviet Communist Party, and a great party was gone.” Xi spoke of how some of the party leaders had Gorbachev arrested, but “Yeltsin stood on a tank” while the army stood by and did nothing to defend the party and the USSR.

The Times picked up the summary of the speech from a blog published by a counterrevolutionary, Gao Yu, who works with the German radio station Deutsche Welle. (Beijing Observation: Xi Jinping, posted by Yaxue Cao, Jan. 26)

Gao, who was twice imprisoned for supporting the pro-capitalist counterrevolu-

tionary uprising at Tiananmen Square in 1989, has connections in China and published commentary and excerpts from the speech. According to the Times, the speech has been vetted by Chinese officials and others and is said to be authentic.

Gao quoted Xi as saying, “We must see clearly our place in history, see clearly the realistic goals as well as the long-term vision to which we are devoted. We are still in the early stage of socialism, and we must do whatever we can to realize the goals of the current stage. But if we lose sight of our vision as communists, we will lose our direction and succumb to utilitarianism and pragmatism. To uphold our ideals and beliefs, we must uphold Marxism-Leninism, Mao Zedong thoughts, Deng Xiaoping theory, the important contribution of the ‘three represents,’ and the Scientific Outlook on Development. The great renewal of the Chinese nation has been the greatest dream of the Chinese nation over the last couple of hundred years. The ‘China dream’ is an ideal. But of course, as communists, we should have a higher ideal, and that is, communism.”

Gao complained that Xi did not mention “political reform” once during his southern tour. This counterrevolutionary’s interpretation of the Xi speech was that it “was clearly intended to give the CCP ideology a renewed status,” meaning the offi-

cial ideology of China, which is socialist, all the capitalist reforms notwithstanding.

The Times article mentioned that in one speech on the tour, Xi said that “Mao Zedong’s era of revolutionary socialism should not be dismissed as a failure.” The Times further pointed out that Xi has pledged to pursue “economic reform” but that “he won’t become a Gorbachev.”

We have no way of verifying the accuracy of the quotations and paraphrases from the speech. Nor can the revolutionary and progressive forces around the world, based on the workers and oppressed, get a true estimate of the relationship of forces in China between the right wing and the center, or what influence the left has. Furthermore, many details of the speech require critical examination.

### **China & former USSR: similar problems**

But a few things are clear. There is enough pressure coming from the right to bring the hypothetical prospect of counterrevolution to the level of consciousness and discussion of the top leadership. A time of change in leadership, before the leaders get drawn into the all-consuming vortex of day-to-day responsibility for running the country, lends itself to trying to see China’s development within a broader perspective. It is in this context that Xi is going over in his mind the disastrous Soviet scenario in

order to draw from it the lessons for China.

But it is dangerous for Xi to reduce the reasons for the collapse of the USSR to liberalism in politics, ideological deterioration, and the indifference and opportunism of the military.

Bourgeois forces — like those that were nurtured underground over many decades in the USSR in an atmosphere of bureaucratic privilege, got seduced by the material prowess of capitalism and were intimidated by relentless imperialist threats — are now operating completely above ground in China. Furthermore, while the proletariat was politically pushed out of the running of society in the USSR, the same can be said for the workers of China.

Being for “economic reform” as the route for developing China is to put the development of the productive forces above the development of socialist social relations. It means putting material accomplishment above class consciousness, class solidarity and the empowerment of the masses. This is precisely what present-day China has in common with the former USSR — despite the vast differences.

This is what led to Gorbachev. Only by putting an end to this orientation, begun by Deng Xiaoping after the defeat of the left, can the Chinese Revolution be revived and secured.

*March 11, 2013*

# Behind Xi Jinping's call for a return to Marxism

The president of the People's Republic of China, Xi Jinping, has been issuing statements that seek to curb the corrosion of socialist values that has become widespread in China.

The Press Trust of India reported on July 1: "Officials of the ruling Communist Party of China should shed the obsession with GDP numbers to get promotions and return to principles of Marxism, which suffered an ideological meltdown in the course of the country's reforms, President Xi Jinping said today."

Later Xinhua, the official press agency of China, reported on July 12: "Chinese President Xi Jinping has urged the 85 million members of the Communist Party of China (CPC) to work hard and serve the people wholeheartedly to 'ensure the color of red China will never change.'

Xi, who is also the general secretary of the CPC, made these remarks on the eve of the 92nd anniversary of the founding of the party. On July 11, he visited Xibaipo in Hebei Province, where the CPC leaders had been based from May 1948 to early 1949 as they prepared to seize power and become the ruling party of China.

Xi said, according to Xinhua, that "late Chinese leader Mao Zedong's remarks on Party members' work styles prior to the founding of New China in 1949 still have far-reaching ideological and historical significance."

"At an important meeting of the CPC in March 1949," continued Xinhua, "Mao called on the whole party to resolutely carry forward the work style of displaying modesty and prudence while guarding against conceit and impetuosity, and resolutely carry forward the style of working hard and plain living."

"Calling China's revolutionary history 'the best nutrient,' Xi said studying and re-

calling such history can bring 'positive energy' to Party members."

Xinhua paraphrased Xi as saying "the people should be encouraged to take care of the CPC and be guided to exercise their duty of supervision."

The Press Trust article quoted Xi as having said earlier that "the party's cadres should be firm followers of Communist ideals, true believers of Marxism and devoted fighters for the socialism with Chinese characteristics."

The PTI further paraphrased Xi: "A party official's integrity will not grow with the years of service and promotion of his post but with persistent efforts to discipline himself and study Marxist classics and theories of socialism with Chinese characteristics, Xi said."

These were not just one-time speeches. They are part of a campaign to try to restore the party's reputation through pushing a public, ideological foundation. The campaign began back in April of 2013, as a campaign against corruption shortly after Xi took over as president. At that time it was known mainly by a slogan against "four course meals" for officials, meaning an end to extravagant banquets and other indulgences. Now it is being put in the context of Marxist ideological renewal.

The campaign has been unfolding step by step recently, with daily reports in the Chinese government press about carrying out the "mass line" and using such slogans as "from the masses to the masses."

All 31 provincial level regions, central government organs and other people's organizations are scheduled to convene work conferences to carry out an educational campaign, attacking undesirable work styles such as "formalism, bureaucratism, hedonism and extravagance." This is part of the anti-corruption campaign initiated by Xi.

Xi is promoting rectification of work styles by calling for "self-purification, self-perfection, self-renewal and self-progression."

## A matter of 'survival or extinction' for the CPC

In a blunt statement to a Central Committee meeting on June 18, called to launch the campaign in full, Xi put the stakes involved as plainly as possible. Xinhua reported: "Winning or losing public support is an issue that concerns the CPC's survival or extinction," Xi said, stressing that the mass line, or furthering ties with the people, is lifeline of the Party.

The same dispatch spoke about "flesh and blood" ties with the people and called for getting more workers with knowledge of the grassroots and social conditions into the party.

Li Junnu, a former vice president of the CPC Central Committee Party School told Xinhua: "Maintaining close ties with the masses is the Party's largest political advantage while isolation from the people is the greatest danger facing the CPC." (Xinhua, June 18)

It must be remembered that on Xi's first trip after assuming the presidency in March 2013 he went to Guangdong Province and gave a talk to a party group warning about the dangers of a Gorbachev-type development in China. He spoke in dire terms about how the Communist Party of the Soviet Union was overthrown and socialism completely destroyed. The long-term fate of the party is undoubtedly a deep concern of Xi and his collaborators.

An observer must conclude that this is a serious attempt to reverse the effects of three decades of erosion of socialist morality under the impact of capitalist inroads and all the decadence, corruption and mar-

ket immorality that the exploiters, domestic and international, bring along with their profit lust.

Massive corruption is the norm under capitalism. And these norms have become pervasive throughout socialist China, severely undermining the consciousness of the society as a whole and breeding cynicism and alienation among the workers and the peasants.

The reputation of the party has suffered immeasurably, especially at the provincial and local level. There have been tens of thousands of “mass incidents” annually, reported on by the government itself. They include peasants protesting their lands being sold off to developers; workers protesting against employers violating their rights; protests against pollution; and numerous other grievances.

In this campaign led by Xi to deal with the political and social decay brought on by concessions to capitalism and imperialism, the leadership is harkening back to memories and associations with the heroic period of the Chinese Revolution.

It is notable that Xinhua, undoubtedly with the agreement and perhaps the advice of Xi, referred in the most favorable way to Mao as the authority in prescribing “hard work” and “plain living” as the correct practice for cadres. The reference to studying the revolutionary history of China as “nourishment” to strengthen the party is a breath of fresh air. Talk of “mass line,” “from the masses to the masses” and “serving the people heart and soul” — various prescriptions for self-correction and reflection — are clear references to the early stages of the Chinese Revolution.

The leadership is reaching back to earlier, more revolutionary times, both to warn the corrupt elements and to inspire the masses.

### **Entrenched bureaucratic interests must be fought from below**

This campaign is a laudable step, certainly as regards its intentions, and hopefully it will bring about positive results. But there are deep contradictions and limitations in the campaign that must be overcome in order for it to achieve its objectives.

There are bureaucratic interests in the party that are tied in with government officials and those invested in capitalism who will not abandon their positions based upon moral appeals or social pressure alone. They will find a thousand ways to evade or obstruct the campaign, so long as it relies on voluntary compliance.

These entrenched interests must be fought. And the surest, most reliable way to fight them is to enlist the masses in the struggle. Without this, the campaign will be severely limited.

Corrupt officials must be weeded out. And this cannot be done from above. It must come from below, from the masses who are subject to official abuse, who know firsthand who are corrupt, who are opportunists, who are out for themselves, who are privately collaborating with the landlords or the developers and the bosses, who violate the rules that protect the people’s interests, who laud it over the people and so on.

It is ironic that Bo Xilai, a popular former party official and Politburo member in charge of Chongqing Province, now languishes in detention because he was persecuted by the present leadership. Among other things that put him out of favor with the leadership was that he called upon the masses in Chongqing to report corrupt officials, business people and party officials. Bo waged a hard campaign to prosecute and jail these corrupt elements as part of his overall campaign to slow down the march along the capitalist road. And Bo tried to restore Maoist culture.

Reading the Marxist classics and popularizing the idea of remaining loyal to communism is a healthy and ideologically cleansing program. The more widely it is implemented, the greater the benefit for socialist forces in China.

But it will take more than reading to overcome the pragmatists, the opportunists and the capitalists who were allowed into the party by Jiang Zemin in 1992. Marxism asserts that being determines consciousness. While some individuals can re-educate themselves, the broad layers of privileged officials will not do so voluntarily. It will take a fight. Perhaps the Xi leadership has anticipated this and has a plan to break

the resistance of recalcitrant elements. That would be all to the good.

### **Economics determines politics**

But there is a more fundamental problem. The problem is the very existence of outrageous privilege itself in the party. In the early Bolshevik revolution, Lenin and his collaborators instituted the “law of the maximum,” following the example of the Paris Commune. No party member could earn more than the highest-paid worker.

This was a measure designed precisely to prevent privilege and its companion, corruption. It was the abandonment of this practice and the growth of inequality that was one of the decisive factors leading to the alienation of the Soviet workers and the decline of the Soviet party leadership, making the USSR vulnerable to capitalist counterrevolution as it came under pressure from imperialism on all sides.

Privilege in China, under the regime of so-called “market socialism,” is out in the open. It is praised as a sign of accomplishment, not in the party so much as in society as a whole. China has strayed far, far away from socialist norms and has become enveloped by capitalist norms.

When Xi calls upon party members to be loyal to communism and to study “socialism with Chinese characteristics,” what he is not acknowledging is the relationship between politics and economics. It is a foundational tenet of Marxism that in the long run economics determines politics — and morality, social consciousness, legality and ideology as well.

“Socialism with Chinese characteristics” is actually a phrase whose content is a socialist China in partnership with domestic and international capitalists. But this is a wholly antagonistic partnership — one in which the capitalist side strives to destroy the socialist side.

In addition to being affected by the spread of private capitalists — who are corrupt and corruptors — the socialist sector, the state-owned enterprises, the banking system and the planners have adopted capitalist market models. This is a great source of corruption inside the state itself.

Xi has not yet declared openly his eco-

nomic program nor has he taken a public position on the economic orientation of Prime Minister Li Keqiang. Li is calling for the reduction of the role of the central government in the economy, including reducing the role of state-owned enterprises, ending the use of economic stimulus to support the economy, increasing the role of small and medium private businesses in the Chinese economy, and opening up widely to foreign investment in finance and other crucial areas.

In fact, last year Li was a co-sponsor, along with the World Bank, of a long and detailed report entitled "China 2030." This was a blueprint for profoundly undermining the remaining fundamental structures of Chinese socialism — government planning, state-owned enterprises, and central

financial and economic control by the Communist Party.

Xi himself is a devoted advocate of so-called "market socialism." Market socialism means socialism side by side with and contaminated by capitalism. The acquisitive, grasping quest for profit and individual material gain that characterizes capitalism has permeated China and eroded the socialist spirit.

The destruction of the rights and benefits of the working class and the peasants to jobs, land, education, health care and housing that were bedrocks of the revolution of 1949 were abandoned by the Deng leadership and subsequent leaderships.

Now the chickens have come home to roost in the form of the alienation of the masses. Xi, to his credit, sees this as a threat

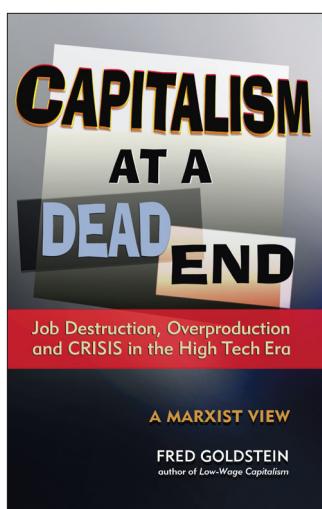
to the party and the foundation of what remains of socialism in China.

But the Xi leadership is trying to fight the symptom without tackling the disease: capitalist penetration of the economy and the social mores, ideology and the very core socialist spirit of the Chinese Revolution.

Perhaps the attempt to turn back this reactionary tide of corruption and bureaucracy will lead to greater struggles in which the masses can intervene and act in their own name and on their own behalf.

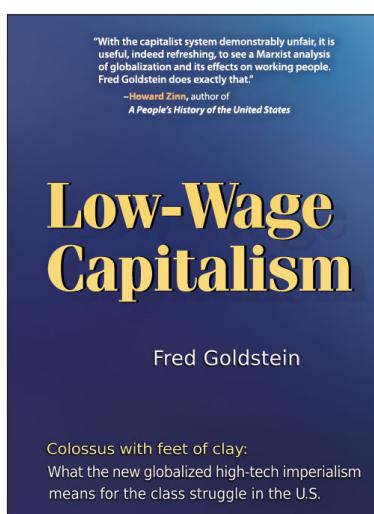
But one thing is certain: the politics of anti-corruption, anti-bureaucratic reform on the one hand and capitalist market economics on the other are thoroughly opposed to one another.

July 20, 2013



Fred Goldstein is author of "Low-Wage Capitalism" and "Capitalism at a Dead End." More information is available at [www.lowwagecapitalism.com](http://www.lowwagecapitalism.com) and the author can be reached at [fgoldstein@workers.org](mailto:fgoldstein@workers.org).

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